

Weekend Reading: The Bear Awakens



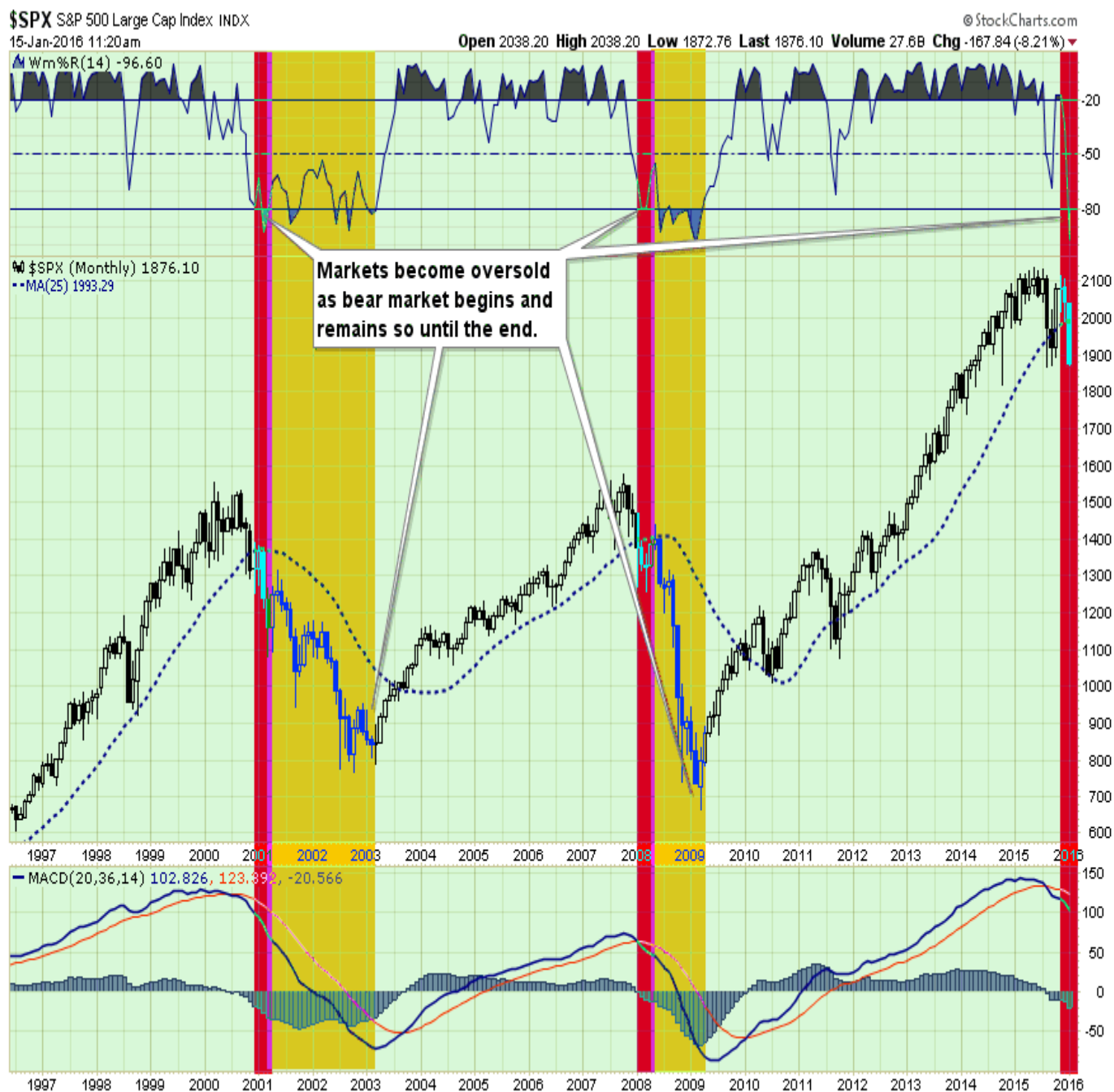
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the last several weeks, I have suggested that markets are oversold and that a bounce was likely. However, such a reflexive bounce should be used to sell into as it is now becoming clearer the markets have changed their trend from positive to negative. As I [discussed earlier this week](#):

"The concept of the full-market cycle is critically important to understand considering the markets have very likely broken the bullish trend that began in 2009. Take a look at the first chart below."



"This *weekly?* chart of the S&P 500 shows the bullish trends which were clearly defined during their advances in the late 1990's, 2003-2007 and 2009-present. **Each of these bullish advances, despite ongoing bullish calls to the contrary, ended rather badly with extremely similar circumstances: technical breakdowns, weakening economics, and deteriorating earnings.** As I have shown in the chart above, when the markets broke the bullish trends? (*blue dashed lines*), the subsequent bear market occurred rather rapidly. **The conversion from the bull market to the bear market was marked by a breakdown in prices and the issuance of a very long-term *sell signal?* as noted in the bottom of the chart.** We can look at this same analysis a little differently and see much of the same evidence."



"The chart above shows something I [discussed last week:](#) **'Markets crash when they're oversold.'**"

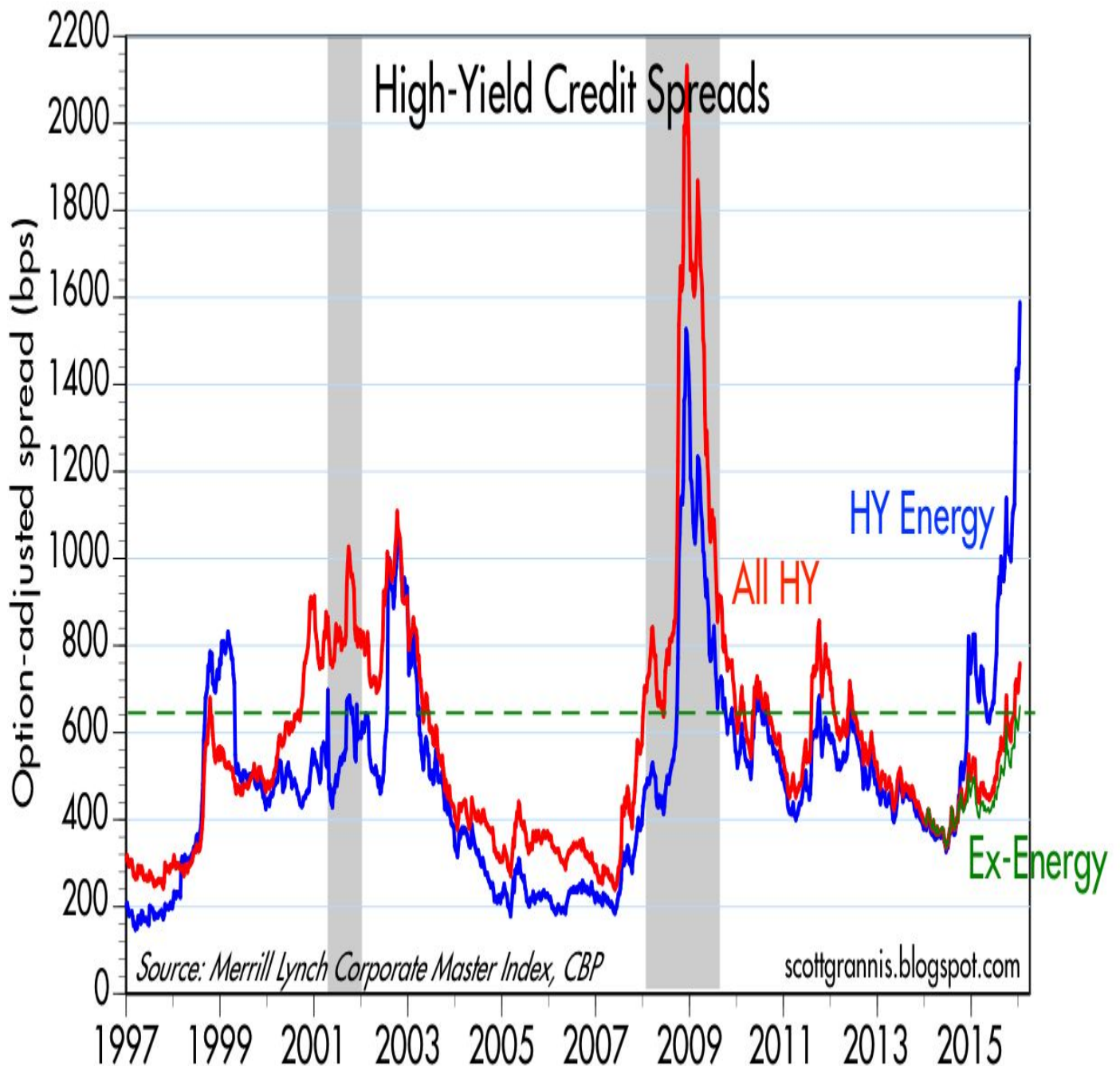
The inability for the markets to muster a rally from currently extremely oversold short-term conditions suggests market dynamics have indeed changed from a "buy the dip" to "sell the rally" mentality. This weekend's reading list is a collection of articles on the current state of the market. Is this just a correction within a bullish trend? Or, is this the beginning of the long awaited bear?

1) 7 Reasons Not To Be A Bear?[by Jeff Reeves via MarketWatch](#)

- Jobs
- Housing
- Oil
- Insulation From China
- Valuations
- US Dollar
- The Long Term

But Also Read:??Growth Fears Grip The Market?[by Robert Johnson via Morningstar](#)2) Charts To Retain Ones Sanity?[by Scott Grannis via Calafia Beach Pundit](#)

"Financial markets are once again swooning as oil prices collapse, stoking fears of another global financial crisis. Without trying to minimize the angst we all feel, I offer here some charts which are useful for retaining one's sanity, along with some commentary."



But Also Read: [US Economy Slip-Sliding Away](#)?by Pater Tenebrarum via Acting Man Blog**Also Read:** [The Case For Chaos & Equity Bottoms](#)?by Anna-Louise Jackson via Bloomberg**3) The Deeper Causes Of The Market Rout**?by Mohamed El-Erian via Bloomberg

?To shed light on one of the worst starts to a new year for global stock markets, some analysts are turning to macroeconomic explanations, such as China's economic slowdown and its uncharacteristic policy slips. Others prefer to focus on the cascading influence of unhinged markets, such as oil. Yet neither explanation is sufficiently comprehensive; and each fails to account for major changes in liquidity and volatility.?

But Also Read: [Art Cashin - "This Is What You Get Before A Crisis"](#)?by Christoph Gisiger via Zero Hedge**And: 7 Numbers To Put The Market Madness Into Perspective**by Paul Lim via?Time**4) Who Let The Bulls Out??**by Paul La Monica via CNN Money

?Deutsche Bank chief equity strategist David Bianco defended stocks in a report Tuesday called 'Gotta swing when you see it.' He must be eager for spring training to start. Bianco wrote, 'We are not panicked by this correction because we understand it. It's driven by a profit recession centered at certain industries caused by factors that we've long flagged as risks.' In other words, nobody should be surprised that the dramatic plunge in oil prices is bad news for the bottom lines of energy and industrial companies. Bianco added that 'this correction has overly punished other sectors and now we're ready to take advantage of it.' ?And he said the next 5% move in the S&P 500 is likely 'to be up and soon.'"

Also Read: [Stocks Could Fall 5000 Points](#)?by Brett Arends via MarketWatch**Further Read:** Ray Dalio On Asymmetric Risk?by Tyler Durden via Zero Hedge**Watch: Stocks Have Much Further To Fall**5) Will The Fed Rescue The Market?by Anthony Mirhaydari via Fiscal Times

?It's far from assured the Fed will ride to the rescue of investors this time. On Friday, San Francisco Fed President John Williams said he doesn't see signs that asset values are depressed or below normal and cited the strong dollar as more of a concern than low commodity prices. He defended the December rate hike decision ? and he added that the Fed has met its full employment mandate, believes the labor market will continue to strengthen this year and that inflation should return to policymakers? 2 percent target over the next couple of years. We'll know more when the Fed holds its next policy meeting on January 26 and 27. We?ll find out this week if the bloodbath continues."



But Also Read: [The Bright Side To Stock Rout?](#) by John Kimelman via [Barron's](#) **And:** [Time To Be A Contrarian??](#) by John Plender via [FT.com](#)

MUST READS

- [8 Investing Myths?](#) by Bob Seawright via [Above The Market](#)
- [The 50/30/20 Rule Of Markets](#) by Ivaylo Inanov via [Ivanhoff Capital](#)
- [Don't Believe Strong Jobs Numbers?](#) by Editorial Staff via [Investors.com](#)
- [Things I'm Pretty Sure About?](#) by [Morgan Housel](#) via [Motley Fool](#)
- [Asset Allocation 2.0?](#) by Richard Bernstein via [Advisor Perspectives](#)
- [A Perfect Storm?](#) by [David Stockman](#) via [Contra Corner](#)
- [Why Is Oil Plummeting?](#) by [Karl Russell](#) via [NYT](#)
- [The Dead Hand Of Debt?](#) by [Buttonwood](#) via [The Economist](#)
- [Why Politicians Are Ignorant About Economics?](#) by [John Stossel](#) via [Fox News](#)
- [An Imminent Likelihood Of Recession](#) by [John Hussman](#) via [Hussman Funds](#)
- [Is It Time To Buy Stocks? No.?](#) by [Jesse Felder](#) via [The Felder Report](#)
- [Stock Correction Sets Lowly Record?](#) by [Dana Lyons](#) via [Tumblr](#)
- [Market Macro Myths -Debt, Deficits & Delusions](#) by James Montier via [GMO](#)

"Better to preserve capital on the downside rather than outperform on the upside"
???William J. Lippman

Question, comments, suggestions ? please [email me](#).



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