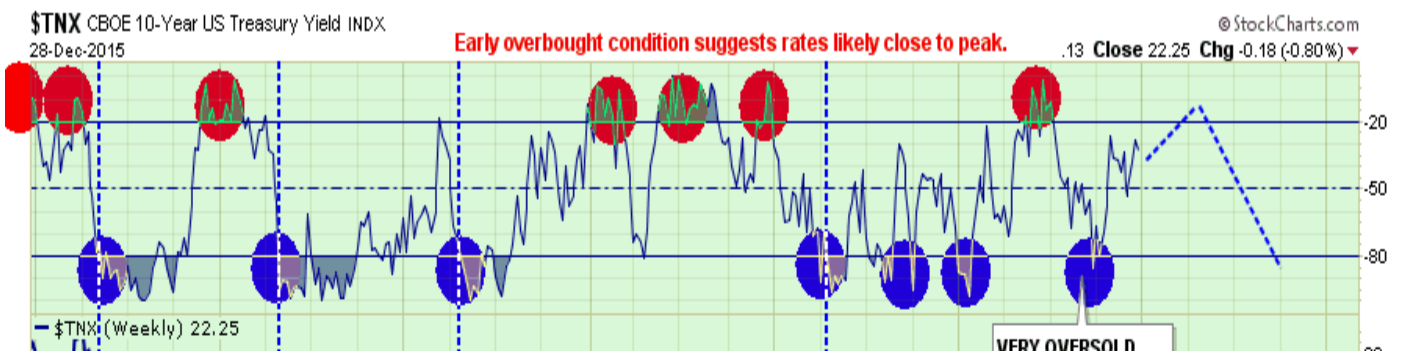


Weekend Reading: Bull Struggles & NIRP



Wow...things are certainly happening faster than I expected. As January kicked off the new year, I posted my [outlook for 2016 in which I discussed](#) why, despite views of Goldman Sachs and many others, interest rates were going lower rather than higher.

"With the Federal Reserve raising interest rates on the short-end (*Fed Funds*), it will likely push the long-end of the curve lower as the economy begins to slow from the effects of monetary policy tightening. From a purely technical perspective, rates have been in a long-term process of a tightening wedge. A breakout to the upside would suggest 10-year treasury rates would soar to 3.6% or higher, the consequence of which would be an almost immediate push of an economy growing at 2% into recession. The most likely path, given the current economic and monetary policy backdrop, will be a decline in rates toward the previous lows of 1.6-1.8%. (*Inflation will also remain well below the Fed's 2% target rate for the same reasons.*)"



"Of course, falling rates means the ongoing *bond bull market?* will remain intact for another year. **In fact, if my outlook is correct, bonds will likely be one of the best performing asset classes in the next year.**"

Here is that same chart today:

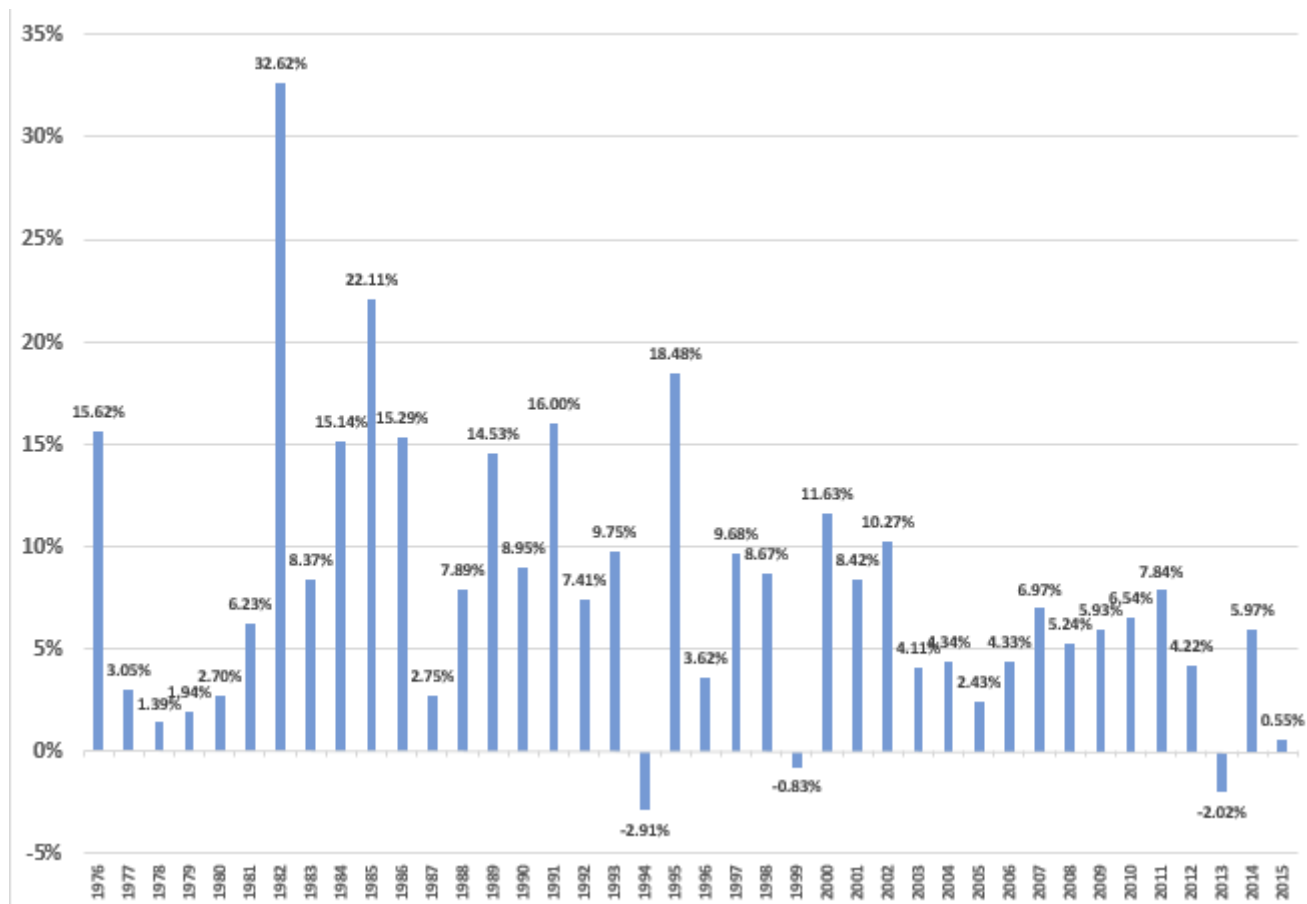


With interest rates now at my target levels in February, and bonds now extremely overbought, this is an opportune time to take some profits out of interest rate sensitive investments. However, what the plunge in rates also suggests is that the economy is FAR weaker than Ms. Yellen, the mainstream financial media or the bullish blogosphere realize. **Unfortunately, by the time the economic data is revised to reveal what rates are already telling you, it will be far too late to protect your investment capital.** But that is just my view. This weekend's reading list, as usual, is a compilation of reads that provide both sides of the market and economic debate. Our job, as investors, is to reduce our confirmation bias in order to make more logical decisions with our money even though our emotions may be trying to lead us elsewhere. **Hope, optimism and greed are all emotions that have led to far greater destructions of capital than negativity and fear ever have.?**

1) The Greatest Bull Market Of All Time? [by Ben Carlson via Wealth Of Common Sense](#)

"How many hedge fund managers would kill for the following performance characteristics over a 40-year time frame?"

- Annual Returns: 7.7%
- Volatility: 6.9%
- Number of Up Years: 37
- Number of Down Years: 3



But

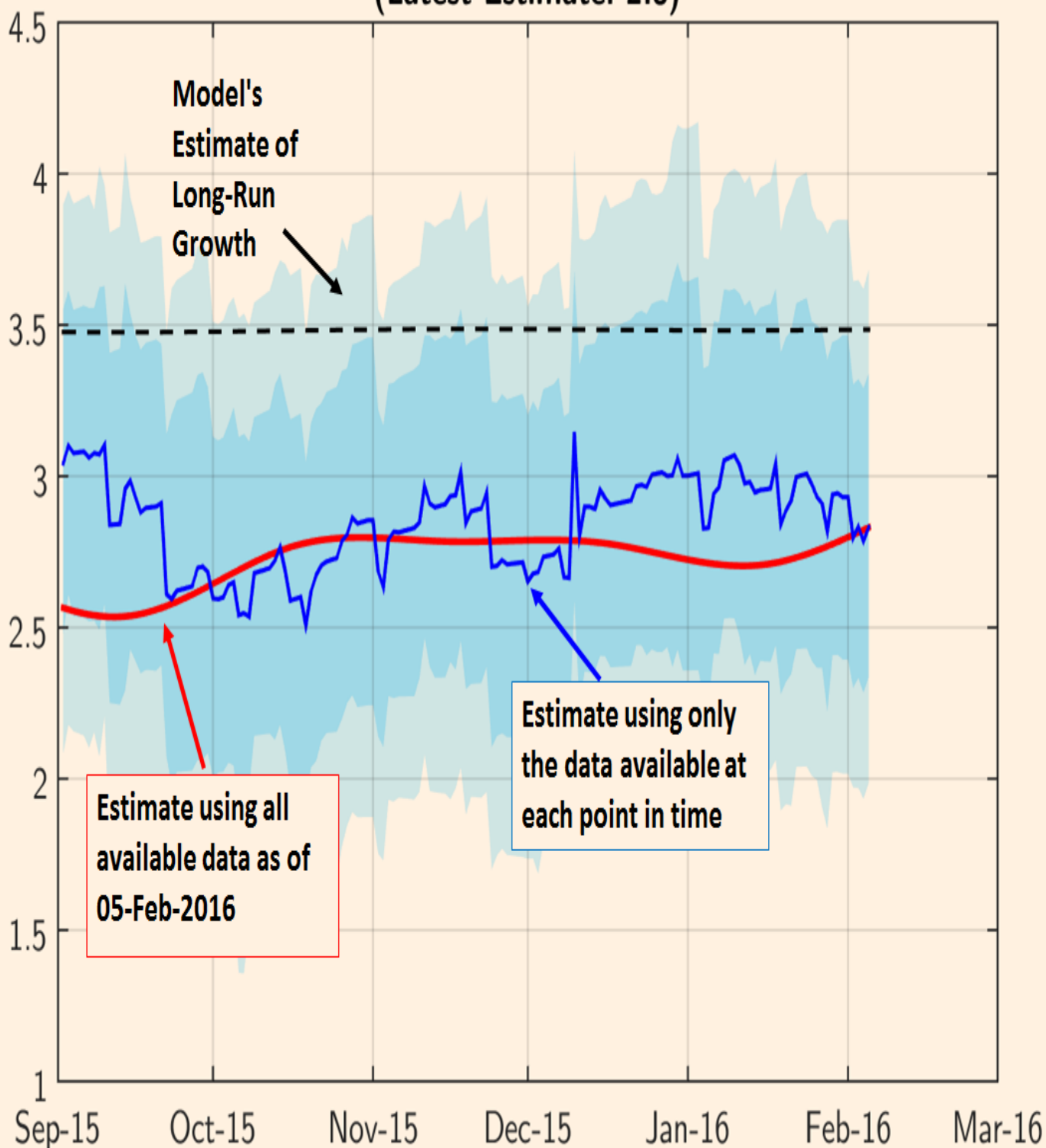
Also Read: [Equity Bubble Update](#)?by Jeremy Grantham via GMO 2) [I Was Too Bullish?](#)by [Matthew Belvedere](#) via CNBC

"I was far too bullish last December," Siegel admitted, referring to his call on "Squawk Box" that "valuations can stay on the high side." He also had predicted on CNBC in November that Dow 20,000 was a "real possibility" in 2016. It was above 15,900 on Monday. The Wharton School finance professor on Monday summed up his view on the headwinds to the market. "Those deflationary forces ... from China, from commodities are really, in the presence of debt that so many of these energy and other companies have, ... causing the market turmoil right now."

Also Read: [Just A Bullish Pause?](#)by [Avi Gilbert](#) via [MarketWatch](#) **Opposing View:** [Deteriorating Liquidity?](#)by [Luke Kawa](#) via [Bloomberg](#) **And Also:** [America's Earning Recession Deepens?](#)by [Alex Rosenberg](#) via [CNBC](#) 3) [Global Growth Fraying At The Edges?](#)by [Gavyn Davies](#) via [FT](#)

?The weakness in global risk assets that started in May 2015 raises a major question for macro-economists. Is market turbulence foreshadowing ? or perhaps causing ? a much broader weakening in global economic activity than anything seen since 2009? Until now, the Fulcrum activity nowcasts have failed to identify a major turning point in global growth. This conclusion is still just about intact, but is subject to much greater doubt in this month's report. There are some signs that growth in the advanced economies may be fraying at the edges, and China may be embarking on another mini downturn.?

WORLD: Estimate of Underlying Activity Growth (% MoM Ann.) (Latest Estimate: 2.8)



Also Read: Clueless Economists & The Coming Recession by Aaron Layman
4) **EVERYTHING YOU NEED TO KNOW ABOUT NIRP**

- **An Explanation Of Negative Rates?** [by Econobrowser](#)
- **Negative Rates: A Giant Policy Failure** by Narayana Kocherlakota
- **The Fed May Follow Japan's Path** [by John ?Mauldin? via Fortune](#)
- **The Futile Negative Rates Club** [by Daniel Gross via Project Syndicate](#)
- **Why Japan Went NIRP** [by Jeffrey Snider via Alhambra Partners](#)
- **Bizarro World Of Negative Rates** [by Marc Chandler via Real Clear Markets](#)
- **The New Frontier Of NIRP** [by Clive Crook via Bloomberg](#)
- **NIRP Confirms QE Failure** [by Jeffrey Snider via Real Clear Markets](#)

5) **Why Stocks Could Fall By 10-20%?** [by Jack Bouroudjian via CNBC](#)

"The market tone began to shift in December ? and the warning signals started to flash red. We started to witness a contraction in earnings for a couple of quarters in a row, which resulted in the price-to-earnings ratio of the [S&P 500](#) getting rich. We watched crude oil have a parabolic move to the downside as producers couldn't pump fast enough. And we started to see the [Federal Reserve](#) move rates at a time when all the other central banks were doing the exact opposite which created risk aversion. As it turns out, this became an I.O.U. market: interest rates, oil and uncertainty."

But Also Read: 16 Charts The Explain The Market? [by Sam Ro via Business Insider](#)

MUST READS

- **Markets Disappointed By Fed?** [by Louis Woodhill via Real Clear Markets](#)
- **Wall Street Strategist Still Full Of Bull** [by Saliil Mehta via Statistical Ideas](#)
- **5 Questions To Ask Yellen** [by Mohamed El-Erian via Bloomberg](#)
- **Fed Made Recession Worse?** [by David Beckworth & Ramesh Ponnuru via Bloomberg](#)
- **Why You Can't Afford To Buy A House?** [by Joel Kotkin via The Daily Beast](#)
- **Faster Growth Is A Panacea?** [by Steve Chapman via Reason](#)
- **Easy Money No Help?** [by John Hussman via Hussman Funds](#)
- **KISS - Applying It To Investing?** [by Joe Calhoun via Alhambra Partners](#)
- **Jobs Report Full Of Oddities?** [by John Crudele via New York Post](#)
- **70% Of Obama's Budget Is Writing Check To Individuals?** [by Editorial Staff via IBD](#)
- **Recession Ahead?** [by David Stockman via Contra Corner](#)
- **Pro's Are Just Like Us** [by Meb Faber via Faber Research](#)
- **Comparing Yields To Rates Is Stupid** [by Jesse Felder via The Felder Report](#)
- **Shades Of 2000 & 2007** [via Dana Lyons via Tumblr](#)
- **Effects Of Buybacks Exposed** [by Michael Lebowitz via 720 Global Research](#)

?A good player knows when to pick up his marbles.???? Anonymous

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



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