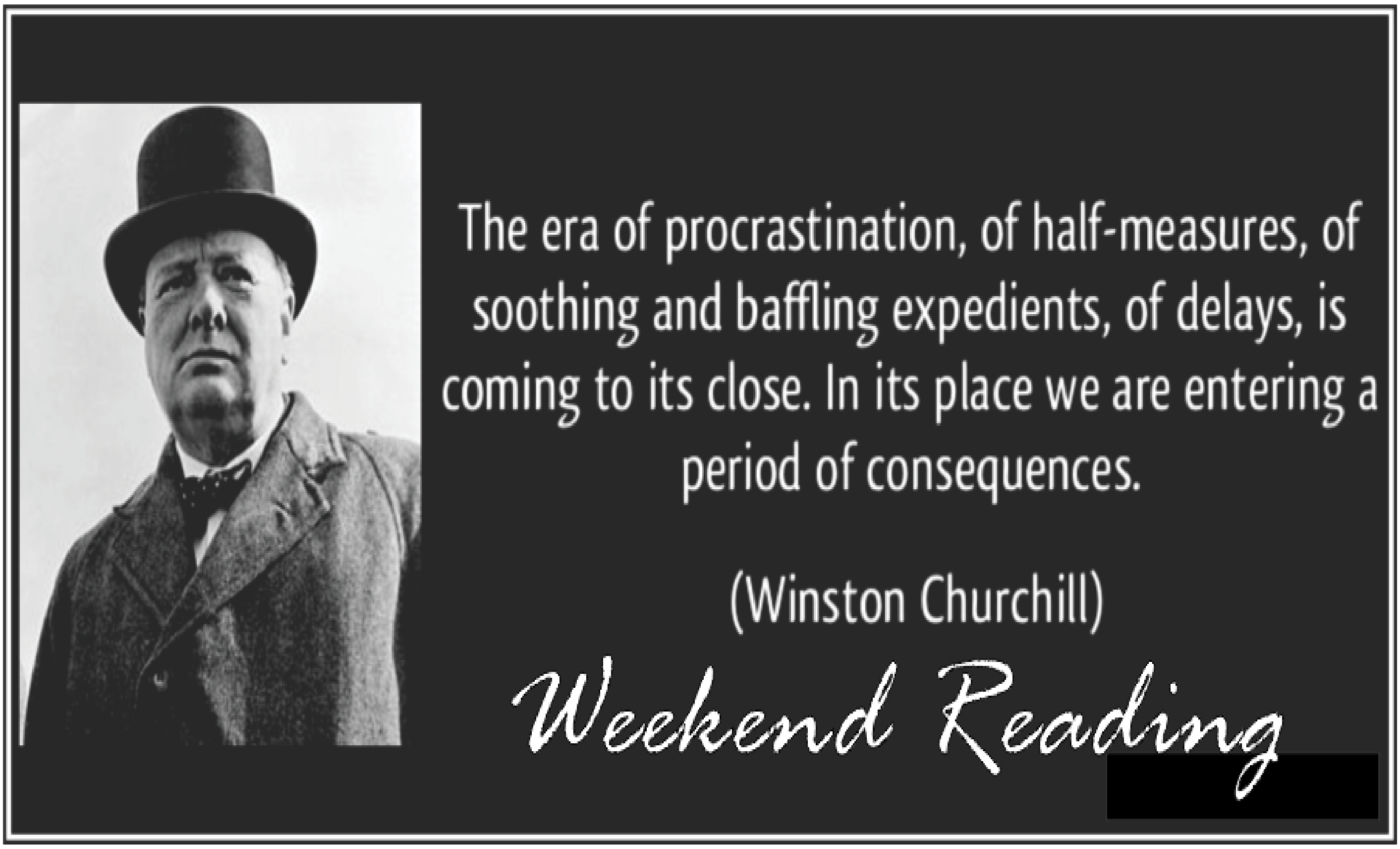

Another week of going nowhere, really. The good news is that this sideways pattern of market action over the last year will come to an end and likely very soon. The only question investors have to get right is whether that resolution will be a continuation of the bull market that began in 2009 OR will it be the beginning of a more protracted bear market decline.

> *"Step right up and place your bets."*

I have updated the analysis from last week which shows that while the market did bounce during the holiday-shortened trading week, it did so on very light volume. However, the more encouraging news is that on Thursday the market DID break above the downtrend that began last May. **However, since this is weekly analysis, that breakout MUST HOLD through the end of trading today (Friday). •A failure to do so would negate the breakout and keep the markets confined in the current downtrending pattern.•**

While the short-term market dynamics are improving, **primarily based on *"hopes"* the Fed will NOT raise rates in July,** the economic and fundamental backdrop continues to weaken. **This divergence between price and reality will be resolved at some point and likely not to the satisfaction of those with a bullish bias. With the risk/reward ratio for equities still tilted to the negative, the current rally is likely one that investors should continue to '*sell into*'** particularly as we head deeper into the seasonally weak period of the year. **Yes, there is a bullish argument to be made if the market can break out to new highs, and if that occurs I will certainly reassess the risk/reward of increasing equity exposure further at that point.** But that is not today. **Unfortunately, and frustratingly so, we remain confined this week to wait and see what happens next. As I stated, the only certainty is this consolidation/topping process will end.** When? How? Those are the questions that must be answered which will determine the consequences of our actions.

> ***"In it's place we are entering a period of consequences."*** *- Winston Churchill*

Here is your reading list for the weekend.

CENTRAL BANKING

- **Venezuela Buring** by Danielle DiMartino-Booth via Money Strong
- **The Fed Can't Increase Credit** by Adrian Moore via Reason
- **Not So Positive On Negative Rates** by Noah Smith via Bloomberg
- **Why The Fed Must Raise Rates** by John Crudele via New York Post
- **Who Needs The Fed** by John Tamny via The Federalist
- **5 Reasons Market Is Ignoring The Fed** by Caroline Baum via MarketWatch

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THE MARKET & ECONOMY

- **Every Stock Was A Buy To These Analysts** by Phil Kuntz, Fox Hu via Bloomberg
- **Stocks Are More Expensive Than Ever** by Anora Mahmudova via MarketWatch
- **Confusing Main Street & Wall Street** by Kenneth Blackwell via Washington Times
- **Warren Buffett On Valuations** by Bryan Rich via Forbes
- **The Limits Of Oil's Rebound** by Anatole Kaletsky via Project Syndicate
- **A Rate Hike Could Upend S&P 500** by Wallace Witkowski via MarketWatch
- **How Cheap Debt Cripples Economy** by Jonathan Rochford via MarketWatch
- **Black Swans Facing The Markets** by Katy Barnato via CNBC
- **Conservative Bias In Economics** by Mark Thoma via Fiscal Times
- **Rising Rates Are Biggest Threat** by Martin Pelletier via Financial Post
- **Corporate Debt Binge Gone Wild** by Rich Miller via Bloomberg
- **A Generation Of Hard Times Ahead** by New Deal Democrat
- **US Yield Curve: Global Yellow Light** by Ed Yardeni via Yardeni Research
- **Economic Reality** by Howard Marks via OakTree Capital
- **20 Common Trading Mistakes** by Russel Kinnel via Morningstar
- **Markets Confound Traders** by James Mackintosh via WSJ
- **Why I Keep Writing The Same Thing** by Joe Calhoun via Alhambra Partners

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INTERESTING READS

- **Factor Investors Guide To Economic Cycles** by Ehren Stanhope via Factor Investor Blog
- **Bill Gross: The Last 40-Years Of Investing Is Over** by Bill Gross via Janus Capital
- **Housing Bubble Pop-Quiz** by Mark Hanson via Mhanson.com
- **Sorry State Of American Finances** by Maria Lamagna via MarketWatch
- **Socialism For The Uninformed** by Thomas Sowell via IBD
- **0-2% Returns Over Next 10-Years** by John Hussman via Hussman Funds
- **Real World Inventory Discrepency** by Izabella Kaminska via FT AlphaVille
- **Gundlach Right About Short Squeeze** by Tyler Durden via Zero Hedge
- **Just Your Average Pullback** by Dana Lyons via Tumblr
- **Simple Reason Why Fed Is Market Dependent** by•Jesse Felder via The Felder Report
- **Death Of A Virtuous Cycle** by Michael Lebowitz via 720 Global
- **Obama: Let's Raise Social Security Benefits** by David Stockman via ContraCorner

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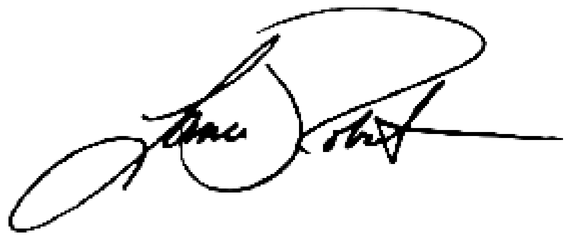
***"If you are having trouble imagining a 20% loss in stocks, you should not be in stocks." -**•Jack Bogle*



Questions, comments, suggestions ? please email me.

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