

WILLFUL BLINDNESS

Weekend Reading

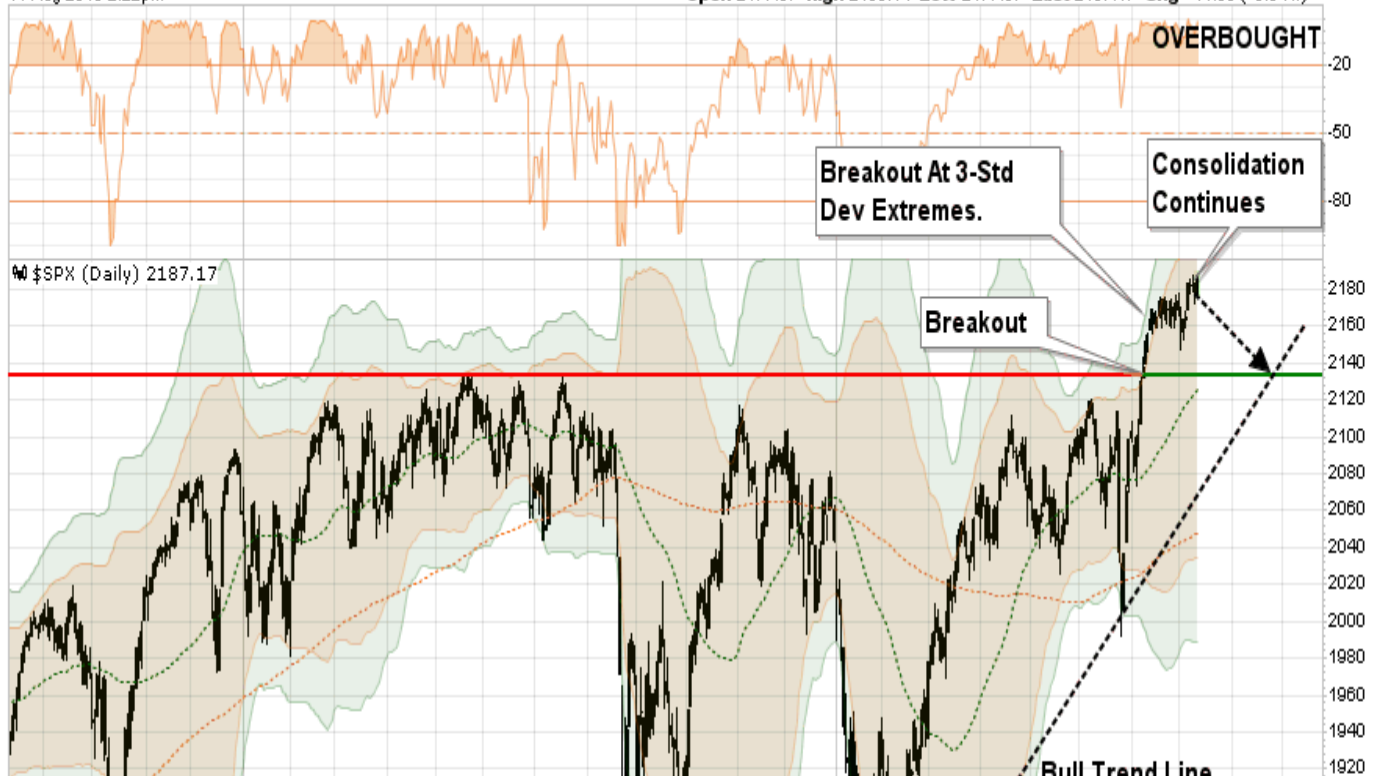


Despite deteriorating economic data, the market continues to cling to recent levels of overbought, overextended and low reward/risk outcomes.

\$SPX S&P 500 Large Cap Index INDEX
11-Aug-2016 2:22pm

Open 2177.97 High 2188.14 Low 2177.97 Last 2187.17 Chg +11.88 (+0.54%)▲

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The problem for individual investors is the "trap" that is currently being laid between the appearance of strong market dynamics against the backdrop of weak economic and market fundamentals. Ignoring the last two to chase the former has historically not worked out well. As David Rosenberg penned for the [Financial Post](#):

*"Okay, this really is one weird market. I'm quite sure I have not seen such levels of confidence on one hand, and cognitive dissonance. Maybe they think the Fed goes, but it will be a mistake and send the economy back into a deflationary downturn. But how can that be the case when this same 'smart money' crowd has built up a net speculative long position in the S&P 500 to the tune of 28,809 futures and options contracts? The 'greed' factor is also highly evident on the Chicago Board Options Exchange (CBOE) where net speculative shorts on the VIX have reached 114,603 futures and options contracts, a level reached only once before. **The bull market is in complacency.** But this begs the question, **if there is no fear, then how is it that the net speculative position on gold on the COMEX is back near an all-time high of 326,264 futures and options contracts?** So you see what I mean by cognitive dissonance, right?"*

As I [stated last Friday](#):

"The great global dichotomy, of course, is that while Central Banks have been flushing the globe in liquidity, suppressing interest rates and bailing out banks as fast as possible, the mainstream media continues to tout the strength of the economy. If the economy is growing, and there really is 'no recession in sight,' then why is there such a panic by the BOJ, BOE and ECB to expand their accommodative programs? Why isn't the Fed raising their benchmark rates? Why are earnings deteriorating across sectors on an unadjusted basis?"

In other words, the only explanation for there being "no recession in sight" is simply the "willful blindness" not to see it. Here is what I will be reading this weekend.

Interesting Stuff

- **US Consumer Jets Still On?** [by Danielle DiMartino-Booth via Money Strong](#)
 - **When The Jobs Recovery Goes Kaboom** [by Wolf Richter via Wolf Street](#)
 - **How The BLS Crushed The Wage Recovery** [by Tyler Durden via Zero Hedge](#)
 - **Old People Are Plaguing The Globe** [by Sunny Oh via Bloomberg](#)
 - **The Backfire Of Negative Rates** [via WSJ](#)
 - **Are US Rates Going Negative** [via Bloomberg](#)
 - **America's Looming Debt Decision** [by Ken Rogoff via Project Syndicate](#)
 - **Black Clouds Behind Sunny Jobs Data** [by Diana Furchtgott-Roth via E21](#)
 - **Trump: Populist Or Pro-Growth?** [by Caroline Baum via MarketWatch](#)
 - **Globalization & Its New Discontents** [by Joseph Stiglitz via Project Syndicate](#)
 - **The Fed Is Caught In A Vise** [by Scott Sumner via EconoLib](#)
 - **Greatest Trick Bankers Ever Pulled** [by David Keohane via FT Alphaville](#)
 - **Obama Leaving Successor A Debt Nightmare** [by John Crudele via New York Post](#)
 - **Which Candidate Has Better Growth Plans** [by Richard Rahn via Washington Times](#)
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Markets

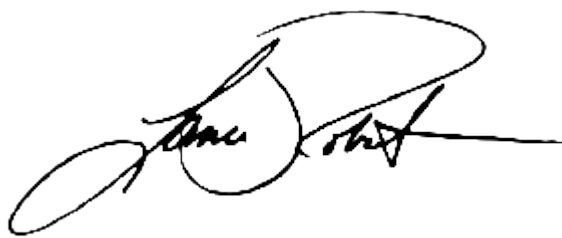
- **Faber: The Big One Is Coming** [by Akin Oyedele via BI](#)
 - **Sell In August, Go Away Till Next August** [via Shawn Langlois via MarketWatch](#)
 - **Is This The Start Of A New Rally** [by Eric Bush via GaveKal Research](#)
 - **Japan Leads The Way To NoWhere** [by Ed Yardeni via Yardeni Research](#)
 - **Yield Curve Not Infallible** [by Stephen Mihm via Bloomberg](#)
 - **Only Way Is Up?** [by Victor Reklaitis via MarketWatch](#)
 - **No Alternative To Stocks? B.S.** [by Doug Kass via Real Clear Markets](#)
 - **Why Fabre Is Calling For A Big One, Again** [by Mark DeCambre via MarketWatch](#)
 - **Bear Markets Are Hard To Predict** [via Brooklyn Investor](#)
 - **Rob Arnott: Smart Beta Being Abused** [by Anora Mahmudova via MarketWatch](#)
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Always Good To Read

- **What's Wrong With The Unemployment Rate** [by Justin Fox via Bloomberg](#)
 - **Lopsided Housing Recovery Leaves Millions Out** [by Laura Kusisto via WSJ](#)
 - **Econometrics Hide Depressed State Of Nature** [by Jeffrey Snider via RCM](#)
 - **Who's Actually Hiring?** [by Joe Calhoun via Alhambra Partners](#)
 - **ObamaCare On Verge Of Collapse** [by Tyler Durden via Zero Hedge](#)
 - **Passive Investing Needs Active Managers** [by Larry Hatheway via Financial Times](#)
 - **Expect 12-Years Of Low Returns** [by John Hussman via Hussman Funds](#)
 - **No, Bridges Aren't Falling Down** [by David Stockman via Contra Corner](#)
 - **Is Smart Money Betting On A VIX Rise?** [by Dana Lyons via Tumblr](#)
 - **Is The Retail Sector Signaling A Recession** [by Jesse Felder via The Felder Report](#)
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"The combination of power, optimism, and abstract thinking makes powerful people more certain. The more cut-off they are from others, the more confident they are that they are right." Margaret Heffernan

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



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