

\$SPX S&P 500 Large Cap Index INDX
 18-Aug-2016 12:18pm

Open 2186.08 High 2193.81 Low 2186.50 Last 2183.05 Volume 5.3B Chg -1.00 (-0.05%)

— \$SPX (Weekly) 2183.05
 ▲ IGAAAPSPX 86.44 (17 Aug)

These Are No So Different Than Now.

New All-Time Highs

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Central Banks Go All-In Following Brexit

As I stated last week:

"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."

There was an excellent article by [John Authers for the Financial Times](#) on Friday to this very point:

"Markets are extravagantly confident that brokers are too bearish, and that their profit forecasts for US companies are too low. The multiple of 18 times next year's projected earnings at which the S&P 500 currently trades, according to Bloomberg data, allows little other interpretation. It is at its highest since 2002, outstripping any level it reached during the credit bubble, or when the Federal Reserve was pumping up asset prices with QE bond purchases. Add to this that US retail sales data suggest a [sluggish economy](#), meaning that there is little reason to expect a big rise in revenues; that margins will be hard to expand; and that core inflation and earnings data suggest at least a whiff of inflation and a risk of higher rates from the Fed. Put all these together, and the highest prospective earnings multiples since the dotcom boom look like irrational exuberance."

There is currently a strong belief that the financial markets are not in a bubble. The arguments supporting those beliefs are all based on comparisons to past market bubbles. **The inherent problem with much of the mainstream analysis is that it assumes everything remains status quo.** However, the question becomes what can go wrong for the market? In a word, **?much.? Economic growth remains very elusive, corporate profits have peaked, and there is an overwhelming complacency with regards to risk.** Those ingredients combined with an extraction of liquidity by the Federal Reserve leaves the markets more vulnerable to an exogenous event than currently believed. **It is likely that in a world where there is virtually ?no fear? of a market correction, an overwhelming sense of ?urgency? to be invested and a continual drone of ?bullish chatter;? markets are poised for the unexpected, unanticipated and inevitable reversion.** Take a step back from the media, and Wall Street commentary, for a moment and make an honest assessment of the financial markets today. **If our job is to "bet" when the "odds" of winning are in our favor, then exactly how ?strong? is the fundamental hand you are currently betting on?** This **?time IS different?** only from the standpoint that the variables are not exactly the same as they have been previously. **Of course, they never are, and the result will be ??the same as it ever was.?** Here is what I will be reading this weekend.

Fed / Economy

- In A Fed Minute [by Danielle DiMartino-Booth via Money Strong](#)
- Policy, Not Robots The Barrier To Jobs [by Robert Samuelson via RCM](#)
- The New VooDoo [by Scott Sumner via EconoLib](#)
- Nudging The Fed [by Cato Institute via RCM](#)
- Untold Story Of Shadow Banking [by Daniela Gabor via New Economic Thinking](#)
- Central Banks Could Be Next Pets.com [by James Mackintosh via WSJ](#)
- Economic Stimulus Perplex [by Ronald Bailey via Reason](#)
- Businesses Worried About Election [by Ylan Q. Mui via Washington Post](#)
- Stimulus Wears Off. Now What? [by Robert Samuelson via Real Clear Markets](#)
- Wages & The Business Cycle [by Yves Smith via Naked Capitalism](#)
- Yields Rise After Hawkish Fed [by Anora Mahmudova via MarketWatch](#)

- **FOMC Worried About Valuations** [by Tyler Durden via Zero Hedge](#)

•Subprime Auto Is Back!

Markets

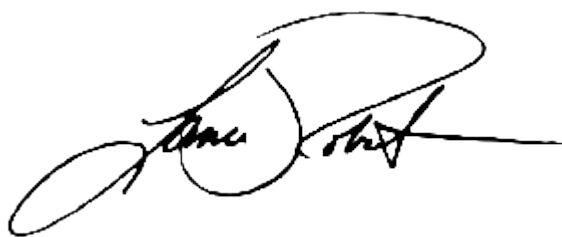
- **The Market Is Hugely Overvalued** [by Mark Hulbert via MarketWatch](#)
 - **Irrational Exuberance Surfaces** [by John Authers via Financial Times](#)
 - **A Stock Market Crash Is Coming** [by Ken Goldberg via The Street](#)
 - **Safest Place For Money At Record Highs** [by Michael Sincere via MarketWatch](#)
 - **This Is The Top! No Wait!** [by Shawn Langlois via MarketWatch](#)
 - **Legends Of Finance Go Short** [by Julia La Roche via Yahoo!](#)
 - **Chance Of A Stock Market Hangover** [by Mark DeCambre via MarketWatch](#)
 - **Laggards Become Leaders** [by Oliver Renick via Bloomberg](#)
 - **Why Investors Are Ignoring Market Warnings** [by Adam Shell via USA Today](#)
 - **Rob Arnott: Smart Beta Being Abused** [by Anora Mahmudova via MarketWatch](#)
 - **What's Driving The Market** [by David Nelson via David Nelson, CFA](#)
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Always Good To Read

- **Central Banks Threatening The Economy** [by Bill Gross via Financial Times](#)
 - **Cash, NIRP & Bonds** [by David Kotock via Cumberland Advisors](#)
 - **Dividend Cuts Back Into Recession** [by IronMan via Political Calculations](#)
 - **Broad Alarm & Business Cycles?** [by Jeffrey Snider via Alhambra Partners](#)
 - **ObamaCare On Verge Of Collapse** [by Sally Pipes via CNBC](#)
 - **Stupid Is What Stupid Does - US vs Japan** [by Eugene Von Bawek via Bawerk.net](#)
 - **Eurphoria Is Already Upon Us** [by Eric Parnell, CFA via Seeking Alpha](#)
 - **NYT's Dire Warning About Polling** [by Michael Krieger via Liberty Blitzkrieg](#)
 - **How The GOP Got Trumped** [by David Stockman via Contra Corner](#)
 - **Gold At Extreme Correlations** [by Eric Bush via GaveKal](#)
 - **Gold At Key Levels** [by Dana Lyons via Tumblr](#)
 - **Gold Is Standing At The Crossroads** [by Jesse Felder via The Felder Report](#)
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"If you have the cool nerves of a great gambler, the sixth sense of a clairvoyant, and the courage of a lion, you have a ghost of a chance of making money in the stock market." •Bernard Baruch

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



Lance Roberts Lance Roberts is a Chief Portfolio Strategist/Economist for Clarity Financial. He is also the host of ?[The Lance Roberts Show](#)? and Chief Editor of the ?[Real Investment Advice](#)? website and author of ?[Real Investment Daily](#)? blog and "[Real Investment Report](#)". Follow Lance on [Facebook](#), [Twitter](#), and

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