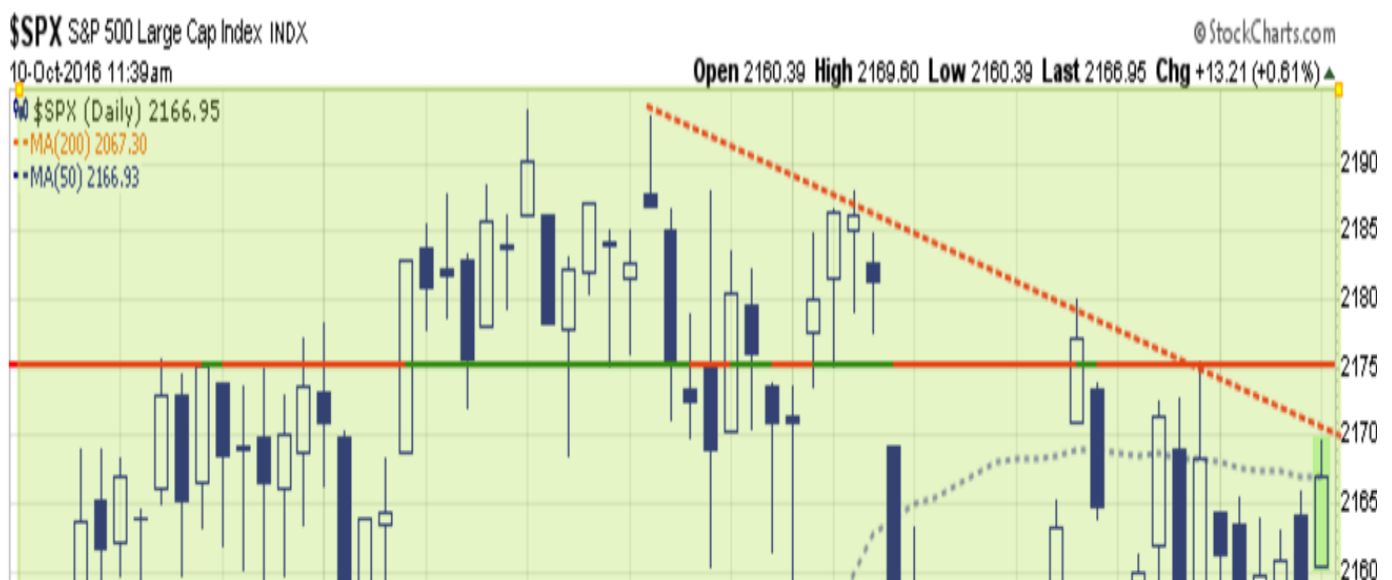




This past Tuesday my blog was titled: ["A Decision Point Is Coming...Soon."](#)•I just didn't realize when I wrote it, that "soon" would mean "immediately."•

*"The chart below is the last 3-months of daily price movement. As you will see, **while prices have been quite volatile, there has been virtually no progress in the market during the period.**"*



*"The two dashed lines so the tightening consolidation pattern more clearly. With the pattern becoming much more compressed it is quite likely a breakout is going to occur within the next few days. **The direction of that breakout will be most important.**"*

Unfortunately, the break occurred to the downside this past week as shown below in the daily price chart.



As I have been noting over the last few weeks, **the consolidation that was occurring was eventually going to break and the expectation has been it would be to the downside given the ongoing overbought conditions with a very relevant "sell signal" in place. That's the bad news.** The good news, so far, is the support level which coincides with the markets break out to "all-time" highs is holding for now. **The problem is currently is that all the gains since May of 2015 have now been erased.** Unfortunately, this breakdown keeps portfolios on risk-adjusted allocations with higher cash levels. It will now require an advance of the market to effectively new highs before risk allocations can be increased. **Given the weak economic and fundamental backdrop, particularly given the stronger dollar, such an advance may not be in the cards currently. Let me be clear, the break of the consolidation to the downside is not "bullish." These breaks tend to be a warning of often bigger events in the works. As such, it would be wise not to quickly dismiss this event as a "Buy The Dip" moment. It might turn out that way, but**

from a risk/reward standpoint, the opportunity for gain is greatly outweighed currently by the possibility of capital destruction. Next week will be extremely telling as to what happens next. In the meantime, here is what I am reading this weekend.

Fed / Economy

- **A Big Shift Inside The Fed** [by Bob Bryan via Business Insider](#)
 - **Americas Strange Economic Malaise** [by Pascal-Emmanuel Gobry via The Week](#)
 - **The Global Economy Reaches Perilous Territory** [by Larry Summers via Washington Post](#)
 - **27 Economic Charts To Review** [by Timothy Lee via Vox](#)
 - **How The Fed Turns Good News Into Bad** [by Narayana Kocherlakota via Bloomberg](#)
 - **\$7 Trillion Moment Of Truth** [by Tracy Alloway via Bloomberg](#)
 - **Uneven Payrolls For Uneven Economy** [by Jeffrey Snider via Alhambra Partners](#)
 - **Oil Prices Creating Goldilocks Scenario** [by Yuval Rosenberg via Fiscal Times](#)
 - **A Federal Reserve Divided Against Itself** [by Mohamed El-Erian via Bloomberg](#)
 - **Dissent Is Growing Inside The Fed** [by Chris Matthews via Fortune](#)
 - **The Job Filled Non-Recovery** [by Robert Barro via AEI](#)
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Markets

- **The Beer Googles Stock Market** [by Danielle DiMartino-Booth via Money Strong](#)
 - **BofA - Stocks Nearing Tech Bubble Valuations** [by Akin Oyedele via BI](#)
 - **Consumer Stocks Flash An Economic Warning** [by Michael Paulenoff via BI](#)
 - **Bull Market Illusion** [by Barbara Kollmeyer via MarketWatch](#)
 - **UBS: Investors Face An Unprecedented Situation** [by Matt Clinch via CNBC](#)
 - **Is The Bond Market In Frothy Territory** [by Robert Pozen via WSJ](#)
 - **Forget The Election, It's Oil** [by Paul La Monica via CNN Money](#)
 - **Market Looks Similar To 1987** [by Akin Oyedele via BI](#)
 - **A Bone Chilling Market Indicator** [by Mark Hulbert via MarketWatch](#)
 - **Charts Warn Of A Big Selloff** [by Tomi Kilgore via MarketWatch](#)
 - **The Great Market Switcheroo Of 2016** [by James Mackintosh via WSJ](#)
 - **This Measure Of Investor Fear At Record Highs** [by Joseph Ciollii via Bloomberg](#)
 - **Stocks Flirting With Levels Not Seen In 15 Years** [by Sue Chang via MarketWatch](#)
 - **How The End Of QE Will Remake Markets** [by Matthew Lynn via MarketWatch](#)
 - **The Health Care Sector Is Not Healthy** [by Michael Kahn via Barron's](#)
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Interesting•Reads

- **8 Ways Rich People View The World** [by Kathleen Elkins via CNBC](#)
- **Confusion Reigns When It Comes To Retirement** [by Jamie Hopkins via MarketWatch](#)
- **10-Tricks To Appear Smart In Meetings** [by Sarah Cooper via Quartz](#)
- **Investor Optimism At 9-Year Highs** [by Jim Normal via Gallup](#)
- **Trumped Up Myth Behind Trickle Down Economics** [by Gary Galles via The Mises Institute](#)
- **5 Books That Could Change Your Mind** [by Cass Sunstein via Bloomberg](#)
- **Why Peter Drucker's Writing Is Still Relevant** [by Hermann Simon via Havard Bus. Review](#)
- **Canary In A Dangerous Coal Mine** [by Rana Foroohar via Time](#)
- **What The Candidates Won't Say** [by John Stossel via Reason](#)
- **When Will Market Fundamentals Matter?** [by Brian Smith via TCW](#)

- **5-Key Events For The 4th Quarter**•by Marc Chandler via Brown Brothers Harriman
 - **Extreme Overvaluation & Weak Fundamentals**by John Hussman via [Hussman Funds](#)
 - **Why Energy Prices Are Headed Lower**by Gail Tverberg via [Our Finite World](#)
 - **A Strange Production Cut As OPEC Hits Record** by Tyler Durden via [ZeroHedge](#)
 - **Why Fiscal Stimulus Won't Happen This Time** by David Stockman via [The Daily Reckoning](#)
 - **Stocks Uptrend Snaps**by Dana Lyons via [Tumblr](#)
 - **Never Say Never**by Jesse Felder via [The Felder Report](#)
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"The average man doesn't wish to be told that it is a bull or a bear market. What he desires is to be told specifically which particular stock to buy or sell. He wants to get something for nothing. He does not wish to work. He doesn't even wish to have to think." ? Jesse Livermore

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