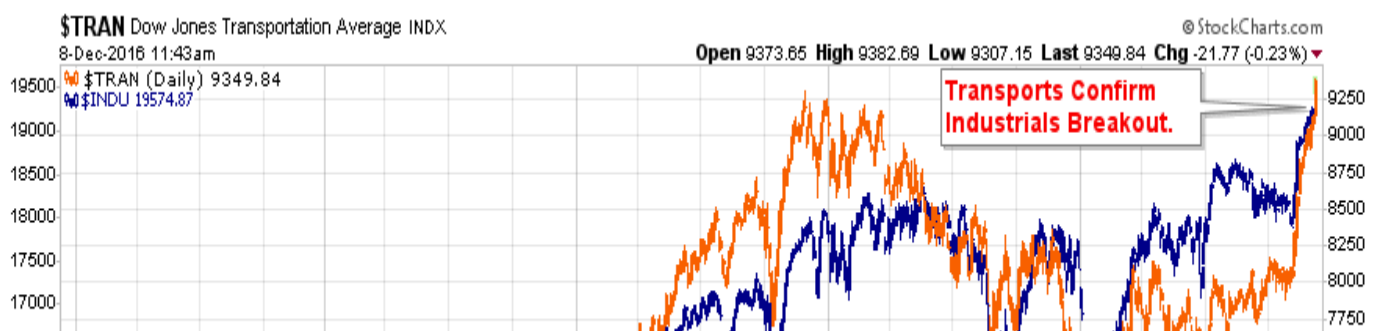




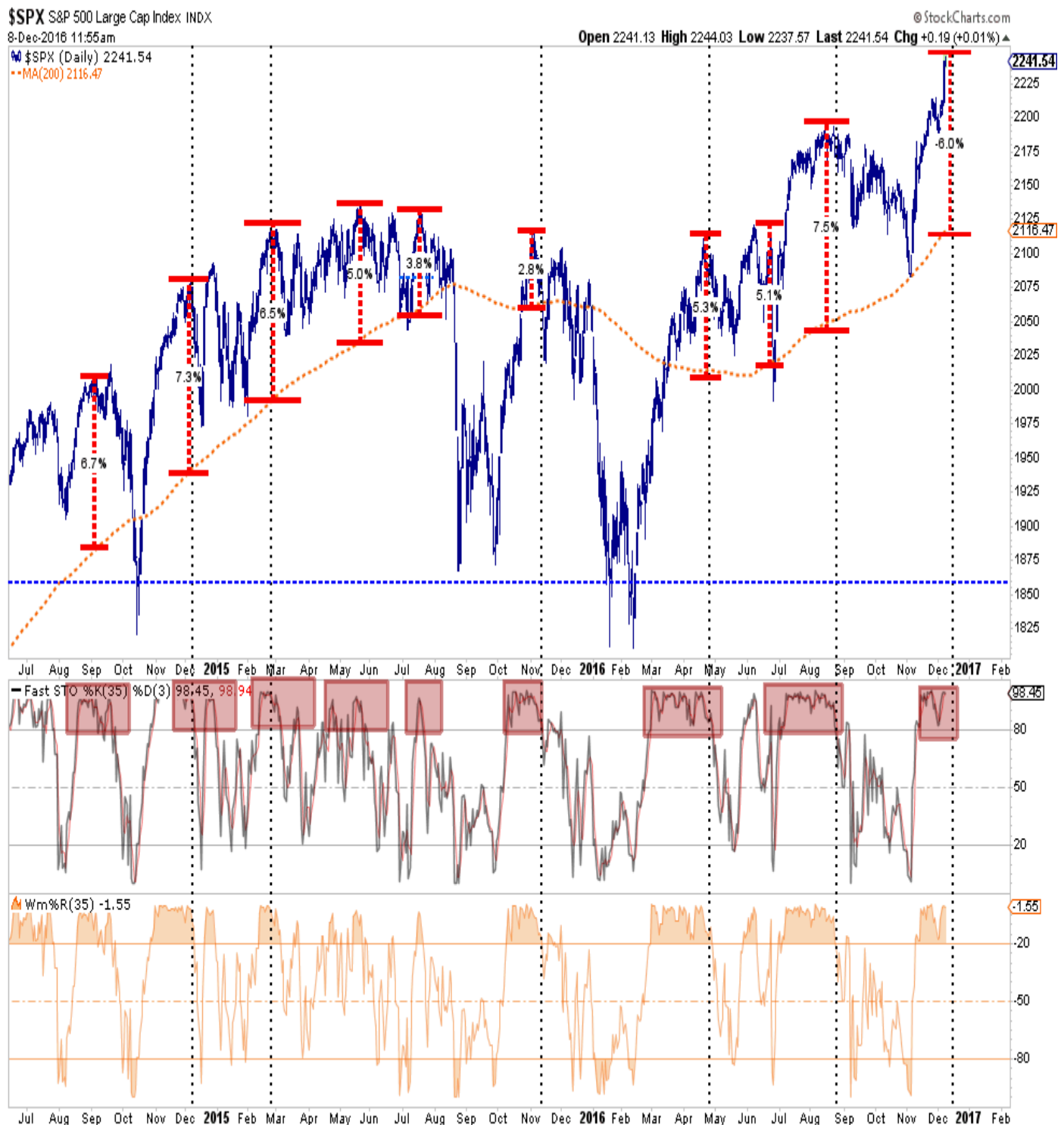
The market rally on Wednesday was quite a stunner given the already full extension of the market advance following the election. However, as Art Cashin noted in his latest note to his clients ([courtesy of Zerohedge](#))

*"Around 11:45, a series of electronic buy programs helped lift the Dow and S&P out of the morning's narrow range. I noted that in an email to some friends around noon: What many of us did not realize at the moment was the probability that the buy programs may have been triggered by events in another sector. Just before the buy programs kicked in, the rally in the Dow Transports was shifting up a gear as the index was on the verge of punching through to a new record high. **If the Transports made a new record high, it would confirm the record high in the Industrials, thus giving a Dow Theory buy signal. As that realization spread, the algorithms kicked in with buy program after buy program and the race was on.**"*



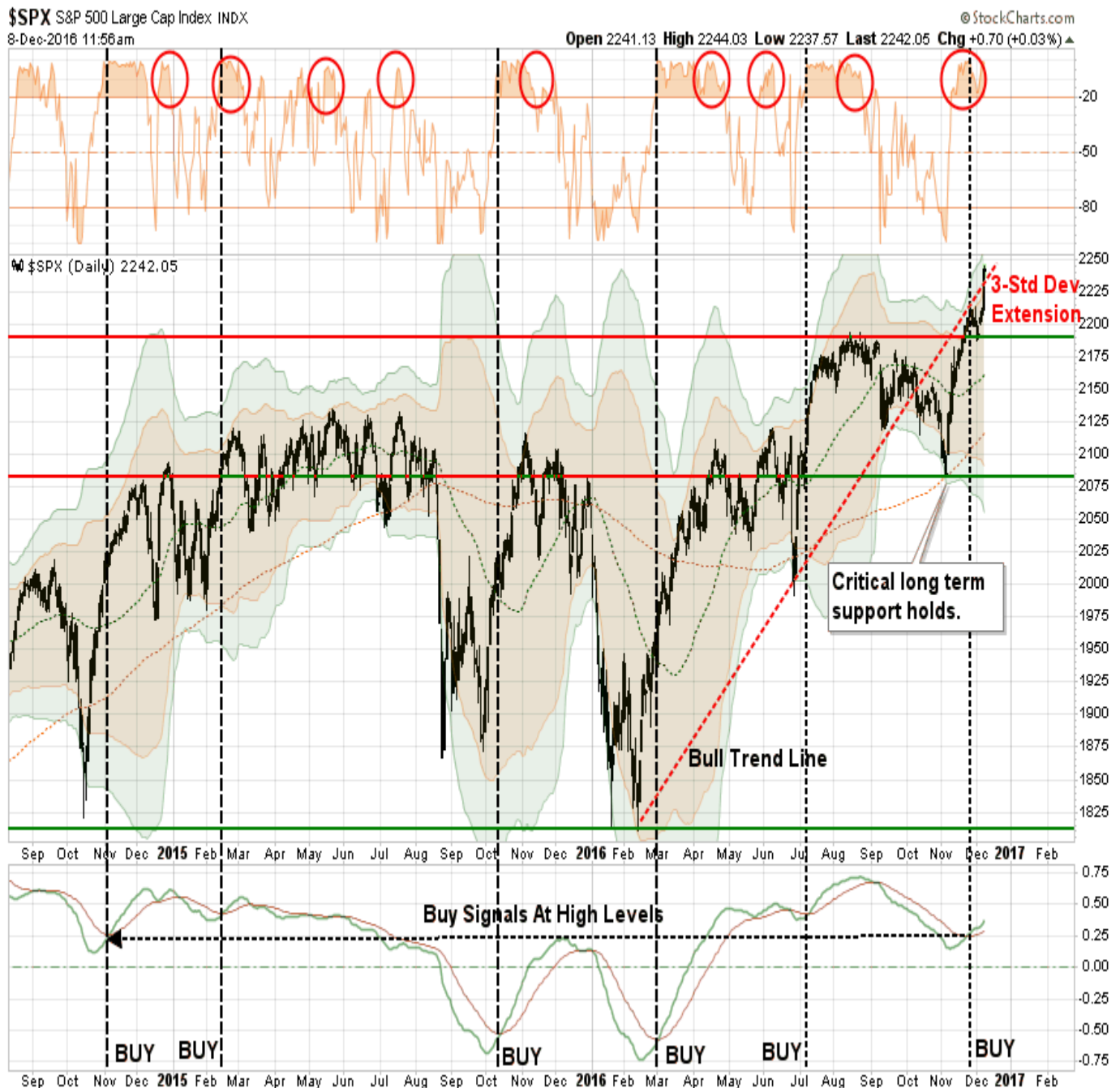
The problem with the breakout and advance on Wednesday is the exacerbation of the market's deviation from its longer term mean. [As I noted on Tuesday:](#)

"The importance of understanding the nature of reversions is critical for investors. Markets rarely move in one direction for very long, notwithstanding overall trends, without a correction process along the way. While the chart below shows this clearly for the overall market, it applies to individual sectors of the market as well."



"Importantly, notice the bottom two part of the chart above. When there is a simultaneous culmination of overbought conditions combined with a more extreme deviation, corrections usually occur back to the underlying trend. This can also be seen in the next chart as well. While the ?Trump Rally? has pushed

asset prices higher and triggered a corresponding ?buy signal,? that signal has been triggered at very high levels combined with a very overbought condition. Historically, rallies following such a combination have not been extremely fruitful."



While the "exuberance" of the Trump rally has certainly awakened the "animal spirits," the sustainability of the advance from such egregiously overbought conditions is questionable. David Rosenberg weighed in on this point via [The Globe & Mail](#):

*"Okay, so the president-elect is now at 3 percent, again skewed by two or three sectors. Big deal. Ronald Reagan, who was the original 'Make America Great Again' advocate (as opposed to a copycat), saw the equity market soar 6 percent in his first month in office. **Guess what? The market peaked less than four weeks into his term and for the next two years, we had an economic downturn and a 25-percent slide in the stock market. The combination of rising bond yields, Fed tightening, and a stronger dollar took care of that honeymoon. After all, we all know what happens when the honeymoon is over. The hard work begins.** That slump we just saw in October export volumes and widening in the trade deficit is surely just an early sign of*

what is to come. Before The Donald does anything on his first hundred days, something tells me the lagged impact of the tightening in financial conditions associated with the recent bounce in interest rates and appreciation of the U.S. dollar is going to come back and bite the economy in the tush, as was the case heading into 2016."

And then there is the "hope this time is different" philosophy as well. While you decide, here is what I am reading this weekend.

Trump, Economy & More Trump

- **Don't Trust Unemployment Rate** [by Doug Short via Financial Sense](#)
 - **Sustaining The Trump Rally** [by Mohamed El-Erian via Project Syndicate](#)
 - **2 Reasons Trumponomics Will Not Deliver** [by Greg Silberman CFA via Harvest \(HVST.com\)](#)
 - **No Recovery In U.S. Economy** [by Jim Clifton via Gallup](#)
 - **Trump Will Send U.S. Into Recession** [by Avi Tiomkin via Forbes](#)
 - **Taxes: Trump Should Copy Reagan** [by Larry Summers via Washington Post](#)
 - **Economic Stupidity Of Carrier Handout** [by Kevin Williamson via National Review](#)
 - **Forget The Trade Deficit** [by Greg Mankiw via NYT](#)
 - **Why Trump Boom Is A Real Possibility** [by Ken Rogoff via Project Syndicate](#)
 - **The Trouble With Trump's Infrastructure Plan** [by Michelle Chen via The Nation](#)
 - **Trump Doesn't Herald New Paradigm Of Growth** [by Joachim Fels via PIMCO](#)
 - **Trump Inherits Best Economy In A Generation** [by Chris Matthews via Fortune](#)
 - **Donald Trump & The New Economic Order** [by Michael Spence via Project Syndicate](#)
 - **Political Spin In Full Spin On Obama Economy** [by Ray Keating via Real Clear Markets](#)
 - **To Save 800 Jobs, Trump Potentially Costs More** [by John Tamny via RCM](#)
 - **What Trump Didn't Learn From The Financial Crisis** [by Noah Smith via Bloomberg](#)
-

Markets

- **Wall Street Leading Sheep To Slaughter** [by David Stockman via Daily Reckoning](#)
- **Scariest Chart I've Seen In A Long Time** [by Bob Bryan via Business Insider](#)
- **Why Won't The Fed Raise Rates?** [by Norman Mogil via SoberLook](#)
- **Rosenberg Throws Up ON "Trump Rally"** [by David Rosenberg via ZeroHedge](#)
- **Has Trump Unleashed The Dollar Bull** [by Alan Kohler via The Australian](#)
- **Bond Sell-Off Could Boost Stocks** [by Lee Jackson via 24/7 WallStreet](#)
- **Time To Take Profits From Oil Trade** [by Thomas Kee via MarketWatch](#)
- **Time To Party** [by Crystal Kim via Barron's](#)
- **Market's Love Trump Agenda** [by Charles Calomiris via E21.com](#)
- **5 Reasons Stocks Are In Melt-Up Mode** [by Adam Shell via USA Today](#)
- **An Old Indicator Flashes A Red Light** [by Brett Arends via MarketWatch](#)
- **Where To Find Yield Now** [by Michael Kahn via Barron's](#)
- **Trump Unleashes Market's Animal Spirits** [by Marc DeCambre via MarketWatch](#)
- **Is Trump Rally Turning Into A Bubble** [by Sue Chang via MarketWatch](#)
- **Don't Get Used To The Trump Rally** [by Bill Gross via Janus Capital](#)
- **Now Is The Time For More Credit Risk** [by John Coumarianos via WSJ](#)
- **Euphoric Market Rally Could Be Derailed, Unless...** [by Paul La Monica via CNN Money](#)
- **Goldman Sachs' Covert Scheme To Raise Oil Prices** [by Michael Covell via Daily Reckoning](#)

Interesting•Reads

- **Best Investing Books Of All Time** [by R.J. Weiss, CFP via The Ways To Wealth](#)
- **CRE: Towers Of Gold To Pillars Of Salt** [by Danielle DiMartino-Booth via Money Strong](#)
- **Behavioral Insights On Financial Advice** [by Shreenivas Kunte, CFA via Enterprising Investor](#)
- **Just How Overvalued Is The Market?** [by Tyler Durden via ZeroHedge](#)
- **A Better Theory To Explain Manias** [by Noah Smith via Bloomberg](#)
- **Don't Confuse Italy with Brexit** [by Therese Raphael via Bloomberg](#)
- **Passive Investors' Pain Is About To Begin** [by Conor Sen via Bloomberg](#)
- **Obama Recovery Has Been A Myth** [by Terry Jones via IBD](#)
- **Repeating All The Mistakes Of The Great Depression** [by Scott Sumner via EconLog](#)
- **American Dream May Be Hard To Revive** [by Bob Davis via WSJ](#)
- **Dividends - The Good & Bad** [by Ironman via Political Calculations](#)
- **Corporate Taxes In A Trump World** [by Ed Yardeni via Dr. Ed's Blog](#)
- **Amazon Unveils Major Job Killer** [by Golding, Massarella & Covert via NY Post](#)
- **It's The "Fat Left Tail" That Gets You** [by John Hussman via Hussman Funds](#)
- **Stocks & Volatility Both Jump - Who's Right?** [by Dana Lyons via Tumblr](#)
- **Corporate Valuations Back To Dot.Com Bubble Peak** [by Jesse Felder via The Felder Report](#)

"Lesson number one: Don?t underestimate the other guy?s greed.?"•Scarface

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