

Deja Vu

Weekend Reading

As [discussed yesterday](#), the exuberance in the markets, as witnessed by the net positioning of large speculators, has reached records on both ends of the spectrum. **Those extremes, combined with spiking levels of "hope" in both the financial and economic data is all too reminiscent of the past.** I personally don't like chart comparisons. Over the last couple of weeks, there have been numerous comparisons between the current market and that of the 1920's, the 1980's and just about everything else in between. **The problem with similarities in market price patterns is that it fails to take into account the underlying factors such as employment, inflation, interest rates, and economic growth.** When looking at those variables along with some technical indicators, we find similarities to past bull market peaks.

"But Lance, all the economic data is improving. So the bull market still has room to go."

Let's take a look at the chart below.



In both previous bull market peaks we find, as measured as a percentage change from the previous bottom to current level, the following:

- **CORE INFLATION** rose 11.7% and 7.1% just prior to the recession. **Currently, Core CPI is up 11.1%**
- **GDP GROWTH** picked up by 7.5% and 5.1% just prior to the recession. **Currently, GDP is up 6.8%**
- **EMPLOYMENT** was up from lows by 9.1% and 8.6%. **Currently, Employment is up 19.0%**
- **INTEREST RATES** rose 50.8% and 51% from lows. **Currently, Rates are up 87.9%**

As we saw just prior to the beginning of the previous two recessions, such a bump is not uncommon as the impact of rising inflation and interest rates trip of the economy. **Given the extreme speculative positioning in oil longs, short bonds, and short VIX, as discussed yesterday, it won't take much to send market participants scrambling for the exits.** While I am NOT suggesting that we are about to have the next great market crash tomorrow, the current sensation of "*Deja Vu*" might just be worth paying attention to. In the meantime, here is what I am reading this weekend.

Fed/Economy

- **Culture Shock** [by Danielle DiMartino-Booth via Money Strong](#)
 - **China's Countdown Clock** [by Jim Rickards via The Daily Reckoning](#)
 - **No, Dodd-Frank Isn't Killing The Economy** [by Rex Nutting via MarketWatch](#)
 - **Are Tax Cuts A Remedy For The Economy** [by Joseph LaVorgna via The Hill](#)
 - **In Case You Thought Trump Was Imploding** [by Yves Smith via Naked Capitalism](#)
 - **GOP Puts WallStreet Ahead Of Safe Retirement Saving** [by David Dayen via The Fiscal Times](#)
 - **The Fed Is Behind The Curve** [by Charles Lieberman via Bloomberg](#)
 - **The Elite Rot In The Federal Reserve** [by Caroline Baum via MarketWatch](#)
 - **Flying On A Wing & Tweet** [by David Stockman via Daily Reckoning](#)
 - **Don't Be Hasty With Rate Hikes & End The Party** [by Bryan Rich via Forbes](#)
 - **GDP: Can Trump Deliver 4%** [by Anu Bararia via The Fiscal Times](#)
 - **Trump Kills DOL Rule** [by David Bahnsen via Forbes](#)
 - **Could Trump Trigger A Wave Of Bond Selling** [by Kayla Tausche via CNBC](#)
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Markets

- **Be Very Afraid Of The Stock Market** [by Linette Lopez via BI](#)
- **Rising Rates Be Damned: R/E Looks Good** [by Michael Kahn via Barrons](#)
- **Are We Prepared For The Next Financial Crisis** [by Robert Samuelson via Real Clear Markets](#)
- **Markets Are Priced For Poor Returns** [by Jeff Erber via Grey Owl Capital Mgmt.](#)
- **The Trump Rally Has Only Begun** [by Sue Chang via MarketWatch](#)
- **Top Bond Strategist Recoils From Stocks** [by David Ader via Bloomberg View](#)
- **Boom Bust Barometer Making All Time Highs** [by Eric Bush via GaveKal Research](#)
- **Market Races To Record** [by David Merkel via Aleph Blog](#)
- **Am I The Only One Nervous** [by Michael Gayed via Pension Partners](#)
- **Gold Vs S&P 500** [by Jim Boswell via TalkMarkets](#)
- **Meet The Man Behind The Market's Ramp** [by Tyler Durden via ZeroHedge](#)

- **This Boom Will Turn To Bust...Eventually** [by Larry Elliott via The Guardian](#)
 - **Is Stock Market Breadth Sending A Warning** [by Chris Ciovacco via Ciovacco Capital](#)
 - **Will Tax Cuts Be The "Magic Bullet" For Stocks** [by Kevin Marder via MarketWatch](#)
 - **3 Risks To The Rising Stock Market** [by Christian Science Monitor](#)
 - **Berkshire/Buffer Stocks For 2017** [by Jon C Ogg via 24/7 WallStreet](#)
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Research•/ Interesting•Reads

- **\$1 Trillion Wealth Manager: Buy America Now** [by Tom Maratil via Business Insider](#)
 - **Millennials May Have To Work To 75** [by Zina Kumok via Investopedia](#)
 - **Lies, Damn Lies & Taxes** [by Marc Chandler via Real Clear Markets](#)
 - **US Stock Market Bubble Risk Is Elevated** [by James Picerno via The Capital Speculator](#)
 - **The Greatest Stock In World History** [by Shawn Langlois via MarketWatch](#)
 - **Yardeni's Magical Stock Market Indicator** [by Kevin Muir via The Macro Tourist](#)
 - **History Of US Bear& Bull Markets (Chart)** [by First Trust](#)
 - **Monetary Policy, Not Fiscal Will Drive The Market** [by Joe Calhoun via Alhambra Partners](#)
 - **Lacy Hunt: Why Bond Yields Are Going Lower** [by Tyler Durden via ZeroHedge](#)
 - **Betting Against Correlation** [by Cliff Asness via AQR](#)
 - **Market Euphoria•Will Leave Investors Bewildered** [by John Hussman via Hussman Funds](#)
 - **S&P 500 & VIX Both Jump: Which Blinks** [by Dana Lyons via Tumblr](#)
 - **The Triumph Of Hope Over Experience** [by Jesse Felder via The Felder Report](#)
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"Better to be out of a bull market than fully invested in a bear market" - Bill Henry

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