



On Wednesday, as [I discussed yesterday](#), the Fed hiked rates and despite the fact that hiking interest rates further tightens monetary policy, thereby reducing liquidity to the markets, the markets rallied anyway. With the hopes of accelerated earnings recovery being muted by falling oil prices, higher borrowing costs, and a strong dollar, **investors seem willing to forgo the basic fundamentals of investing to chase an already extended and aging bull market cycle.** This was noted [yesterday in a note](#) from Goldman's Jan Hatzius, the chief economist warns that the market is over-interpreting the Fed's statement, and Yellen's presser, and cautions that **it was not meant to be the "dovish surprise" the market took it to be.**

*"Surprisingly, financial markets took the meeting as a large dovish surprise?the **third-largest at an FOMC meeting since 2000 outside the financial crisis**, based on the co-movement of different asset prices.*

The committee may have worried that a rate hike?especially a rate hike that was not priced in the markets or predicted by most forecasters as recently as three weeks ago?

might lead to a large adverse reaction on the day, and wanted to avoid such an outcome by erring slightly on the dovish side. But we feel quite confident that they were not aiming for a large easing in financial conditions. After all, the primary point of hiking rates is to tighten financial conditions, perhaps not suddenly but at least gradually over time. And even before today's meeting, at least our own FCI was already fairly close to the easiest levels of the past two years and this was likely one reason why the committee decided to go for another hike just three months after the last one."

He's right. The Fed, which is now **tightening financial conditions** (*which should/will push asset prices lower*), got the exact opposite result as everything rose Wednesday from stocks, to bonds, to gold. In other words, market participants took the rate hike as another reason to **"just buy everything."** Of course, with bullish trends still very much in place, it has been, and remains, very challenging to dispute that point.



Just realize, eventually the mantra of **"just buy everything"** from overly complacent bullish investors, will change to **"just sell everything."** Of course, just understanding that particular point is just winning the battle. Recognizing, and acting, on the change is what **"Wins the war."** Just some things I am thinking about this weekend as I catch up on my reading.

Trump/Fed/Economy

- **Countdown To Crisis** [by David Stockman via Daily Reckoning](#)
 - **Fed Is Way Behind The Curve** [by Wolf Richter via Wolf Street](#)
 - **Border Tax Would Be Disaster For Texas** [by Richard Parker via Dallas Morning News](#)
 - **Fed's Era Of Easy Money Is Over** [by Neil Irwin via NYT](#)
 - **How A Rate Hike Affects Borrowers & Savers** [by Jeff Cox via CNBC](#)
 - **Markets Response To Fed Will Be Telling** [by Joe Calhoun via Alhambra Partners](#)
 - **Fed's Challenge May Be Existential** [by Eduardo Porter via NY Times](#)
 - **Bubbly Market Lit Fire Under Fed** [by Caroline Baum via MarketWatch](#)
 - **Fed: Garbage In, Garbage Out** [by Doug French via FEE](#)
 - **The Growing Threat From Federal Debt** [by Chris Edwards via Town Hall](#)
 - **Federal Reserve's Rate Hike Is Bad News?** [by Lucinda Shen via Fortune](#)
 - **Recession Risk** [by James Picerno via Capital Spectator](#)
 - **Rate Hikes + Low Growth = Recession** [by Mark DeCambre via MarketWatch](#)
 - **Market's Response To Rate Hike** [by Frank Chaparro via BI](#)
-

Markets

- **Corporate Bond Market: The Start Of The Matter** [by Danielle DiMartino-Booth via Money Strong](#)
 - **Crash Guru Warns Of Drop To 14800 On Dow** [by Barbara Kollmeyer via MarketWatch](#)
 - **Have The Markets Finally Woken Up** [by James Rickards via Daily Reckoning](#)
 - **Credit Suisse/UBS Tell Clients To Buy Stocks** [by Jan-Henrik Foerster via Bloomberg](#)
 - **Market Hasn't Done This Since 1995** [by Matt Egan via CNN Money](#)
 - **The Most Overvalued Stock Market In History** [by Brett Arends via MarketWatch](#)
 - **10-Warning Signs Of This Bull Market** [by Akin Oyedele via BI](#)
 - **Wall Street's Next Big Short** [by Rachel Evans & Matt Scully via Bloomberg](#)
 - **Oil Market Is About To Get "U-G-L-Y"** [by John Kilduff via CNBC](#)
 - **Why You Shouldn't Try And Time The Market** [by Anora Mahmudova via MarketWatch](#)
 - **Market Calm? Not Really!** [by Myles Udland via Yahoo Finance](#)
 - **We Learned It In 1987, The Unexpected Moved Markets** [by Doug Kass via Real Clear Markets](#)
 - **Is OPEC Headed For A Showdown With U.S. Shale?** [by Ivana Kottasova via CNN Money](#)
 - **Sam Eisenstadt Has Bad News** [by Mark Hulbert via MarketWatch](#)
 - **Stock Market Has That Sinking Feeling** [by Michael Sincere via MarketWatch](#)
-

Financial Planning/Retirement

- **Understanding the Funded Ratio** [by Bob French via Retirement Researcher](#)
 - **How To Buy Individual Bonds** [by Wade Pfau via Retirement Researcher](#)
 - **How Have 401k Plans Affected Retirement Income** [by Munnell, Hou, Webb & Li via CRRBC](#)
 - **The One Medicare Advantage Chart You Must See** [by Sean Williams via MotleyFool](#)
-

Research•/ Interesting•Reads

- **Why Shiller Is Worried About The Trump Rally** by Adam Haigh & Jason Clenfield via [Bloomberg](#)
- **Shiller: Stock Market Is WAY Overvalued** by Wolf Richter via [Wolf Street](#)
- **Let Me Convince You To Save More Money** by Morgan Housel via [Collaborative Fund](#)
- **Amazon Will Kill More Jobs Than It Saves** by Rex Nutting via [MarketWatch](#)
- **16-Reasons Not To Live In California** by Michael Snyder via [ZeroHedge](#)
- **Can We Scrap Daylight Savings Time Now?** by Andrew Heaton via [Reason](#)
- **Why You Probably Won't Survive The Next Bear** by Lawrence Hamtil via [Fortune Financial](#)
- **Hoping For An Inheritance?** by Suzanne Woolley via [Bloomberg](#)
- **10-Breakthrough Technologies, 2017** by Staff via [MIT](#)
- **How Much Should You Save For Retirement?** by John Divine via [US News](#)
- **US Credit Growth Is Decelerating** by Edward Harrison via [Credit Writedowns](#)
- **Untested Robo-Advisors Are The Next Big Market Risk** by Jason Schenker via [Bloomberg](#)
- **Not The Outcome The Fed Wanted** by Tyler Durden via [ZeroHedge](#)
- **Worry When There Is Nothing But Blue Skies** by John Hussman via [Hussman Funds](#)
- **Has Stock Rally Reached Its Speed Limit?** by Dana Lyons via [Tumblr](#)
- **3-Charts Of Unprecedented Valuations?** by Jesse Felder via [The Felder Report](#)

?It is well that the people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning.? - Henry Ford

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