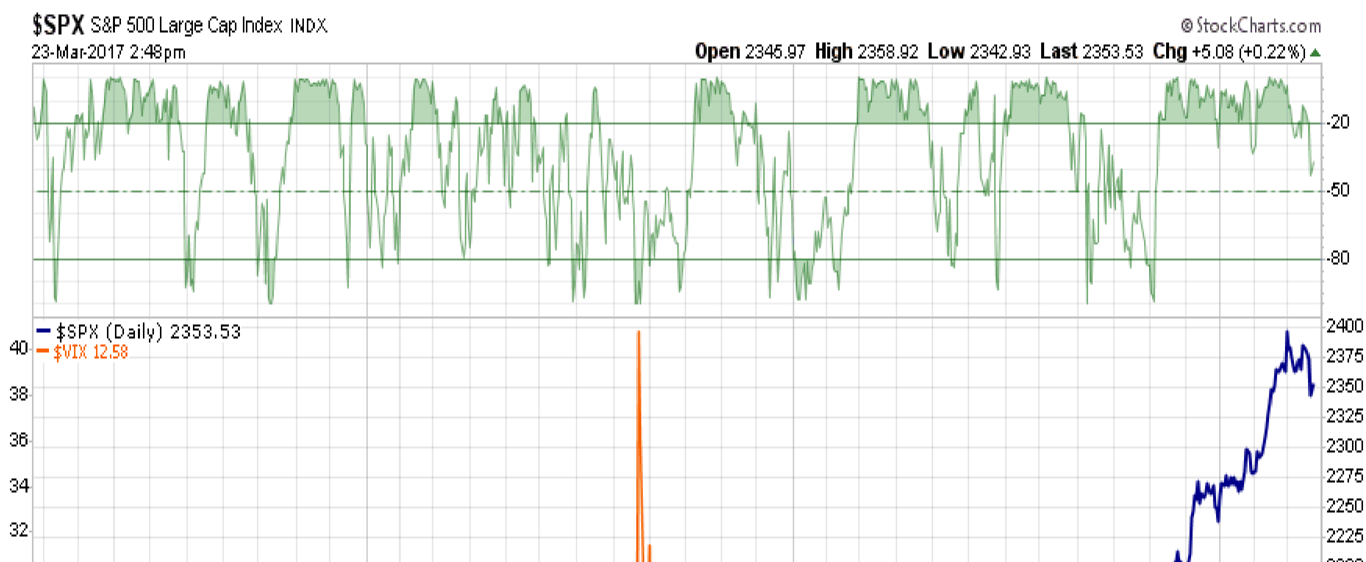
In this [past weekend's missive](#) I wrote:

> *?Speaking of low volatility, **the market has now gone 108-trading days without a drop of 1% for both the Dow and the S&P 500.** This is the longest stretch since September of 1993 for the Dow and December of 1995 for the S&P 500. The issue becomes, of course, which way the market breaks when volatility returns to the market. Over the course of the last three•years, in particular, those breaks have been to the downside as shown below."*



> ***"Given the particularly extreme overbought condition that currently exists, the strongest odds suggest the next pickup in volatility will be in the form of a corrective action to reverse some of that condition."***

Of course, on Tuesday afternoon that long streak of complacency came to an end as all•major U.S. markets tumbled by more than 1% by the close. **While such an event has been expected, it still seemed to catch investors by surprise.** Of course, given such a long period of upwardly trending prices with exceptionally low volatility, investors had been lulled into very high levels of complacency. **The media had also fallen into the trap, as noted by the graphic above, suggesting the one-day correction had been a major mean reverting event.** It wasn't. As shown in the chart above, updated through Thursday, **all indicators remain extremely overbought.** While the markets may indeed rally into Friday's close, **it is quite likely the correction that began on Tuesday is not complete as of yet.** Furthermore, after such a long period of low volatility, the sharp decline in asset prices is one day **FELT much worse than it actually was.**•This is the important, and often missed point about *"passive indexing."* **While a 10% decline in the market certainly does SOUND that bad, with a 2000 point loss on the Dow, or a 230 point loss on the S&P 500, FEELS entirely different. This is where investors start making emotionally bad investment decisions where *"passive investing"* ultimately becomes *"panic selling."*** It is the *"lack of perspective"*•by investors that eventually lead them into the myriad of investment mistakes which destroys investment capital. Think about it this way. **If a 1% decline causes this much angst in the market, what happens when you multiply that by 10? While it is often said it is only *"time IN the market"* that matters, investors must•remember*"time"* is the one commodity we can not replace.**•Just some things I am thinking about this weekend as I catch up on my reading.

Trump/Fed/Economy

- **The American Dream: An Endangered Ethos** by Danielle DiMartino-Booth via Money Strong
- **Time To Kill "Obamacare Lite"** by David Stockman via Daily Reckoning
- **Fed Rosengren Is Worried About CRE** by Wolf Richter via Wolf Street
- **Economy Sounding An Alarm** by Pedro Da Costa via BI
- **Trumps Plans May Need Foreign Help** by Evelyn Cheng via CNBC
- **How A Rate Hike Affects Borrowers & Savers** by Jeff Cox via CNBC
- **What You Should Know About The Fed** by William Greider via The Nation
- **The Surge In America's "Animal Spirits"** by Mohamed El-Erian via Project Syndicate
- **Why The Fed Paid Banks NOT To Lend** by Caroline Baum via MarketWatch
- **Yellen Ignoring TBTF Is Dangerous** by Craig Wilson via The Daily Reckoning
- **4-Political Risks Keeping Goldman Up At Night** by Tyler Durden via Zero Hedge
- **Why Trump Thinks Passing AHCA Bill Is Sensible** by Jonathan Chait via New York Magazine
- **Rate Hikes + Low Growth = Recession** by Mark DeCambre via MarketWatch
- **2% Growth As Good As It Gets** by Jason Furman via Peterson Institute

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Markets

- **Field Of Stock Market Dreams** by Eric Parnell via Seeking Alpha
- **Age Old Adages For The Bull Market** by Ed Yardeni via Dr. Ed's Blog
- **Credit Suisse: Signs Of A Top** by Akin Oyedele via BI

- **Return Of The Risk Off Trade** by James Picerno via Capital Spectator
- **Forget The Health Bill, Damage Is Done** by Tyler Durden via Zero Hedge
- **Big Money Eyeing Stock Market Exit** by Brett Arends via MarketWatch
- **Here's Why Oil Prices Are Crashing** by Jeff Bukhari via Fortune
- **Has OPEC Underestimated U.S. Shale** by Tsvetana Paraskova via Oil Price.com
- **Animal Spirits Not Fueling The Markets, Yet.** by Jeffrey Bartash via MarketWatch
- **A Return To The Permanent Portfolio** by David Merkel via Aleph Blog
- **Black Swan Gauge Suggests Caution** by Mark DeCambre via MarketWatch
- **Why You Should Be Short Financials** by Doug Kass via Real Clear Markets
- **Stock Market Is Too Quiet** by Anthony Mirhaydari via Fiscal Times
- **Record Number Of Investors Think Market Overvalued** by Jeff Cox via CNBC
- **U.S. Stock Market Is An Anomaly** by Wesley Gray via Yahoo Finance

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Research / Interesting Reads

- **Housing "Supply Shortage" Is #FakeNews** by Mark Hanson via MHanson.com
- **Ray Dalio: The Rise Of Populism** by Ray Dalio via BridgeWater
- **7-Traits Of Successful Investors** by Jim O'Shaughnessy via Tumblr
- **The Incredible Shrinking Universe Of Stocks** by Credit Suisse
- **Robots: The 4th Industrial Revolution** by David Kelnar via Medium
- **The Man Behind The Trump Presidency** by Jane Mayer via The New Yorker
- **4-Depressing Reasons Americans Don't Save** by Maria Lamagna via MarketWatch
- **The Battle Of Personal Assistants On Your Phone** by Hayley Tsukayama via Washington Post
- **Why Wall Street's Decline Won't End** by Nicole Gelinas via NY Post
- **You Should Worry About Falling Car Prices** by Edward Harrison via Credit Writedowns
- **Does Anybody Eat Cereal For Breakfast?** by Paul La Monica via CNN Money
- **Bonds Will Outperform Stocks Over Next Decade** by John Hussman via Hussman Funds
- **Traders Aggressively Trim Their Hedges** by Dana Lyons via Tumblr
- **Bogle's 4% Return Estimate May Be Optimistic** by Jesse Felder via The Felder Report

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> ***?Successful preservation of capital must overcome the handicaps of socialistic governments to supposedly help the masses.?*** *- Gerald Loeb*

Questions, comments, suggestions ? please email me.