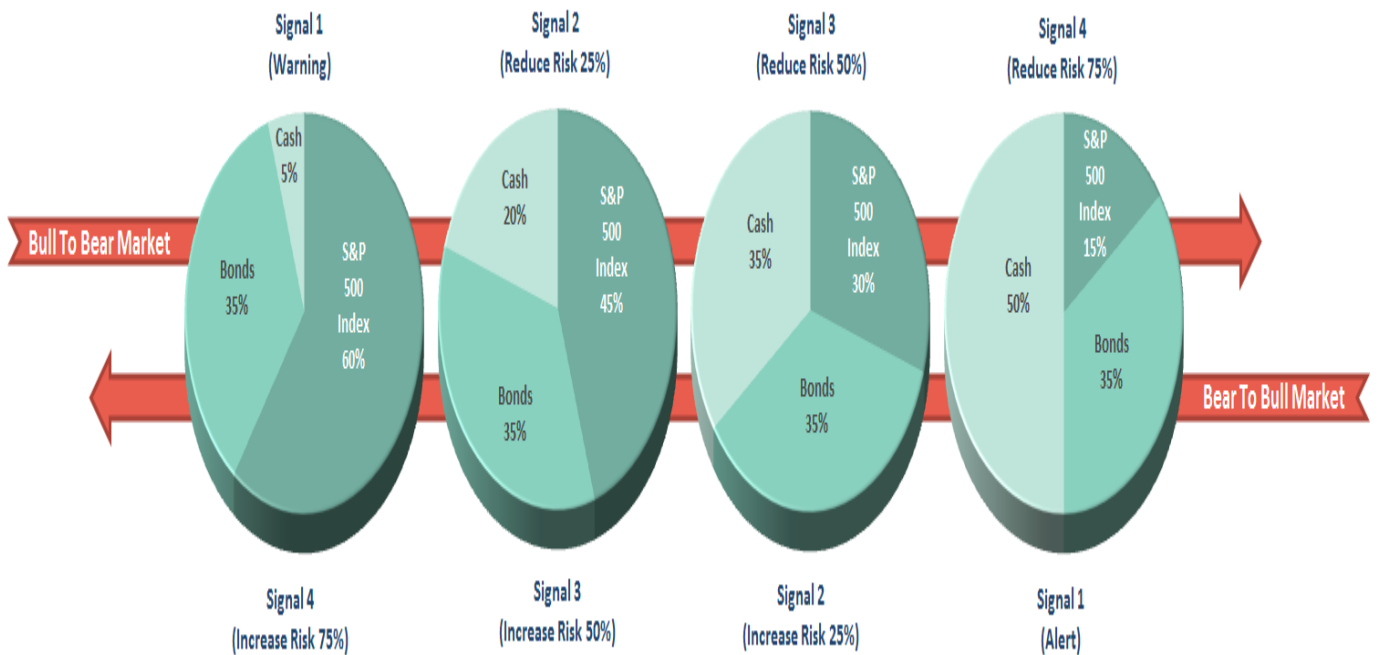


# Weekend Reading: Markets Go On Alert



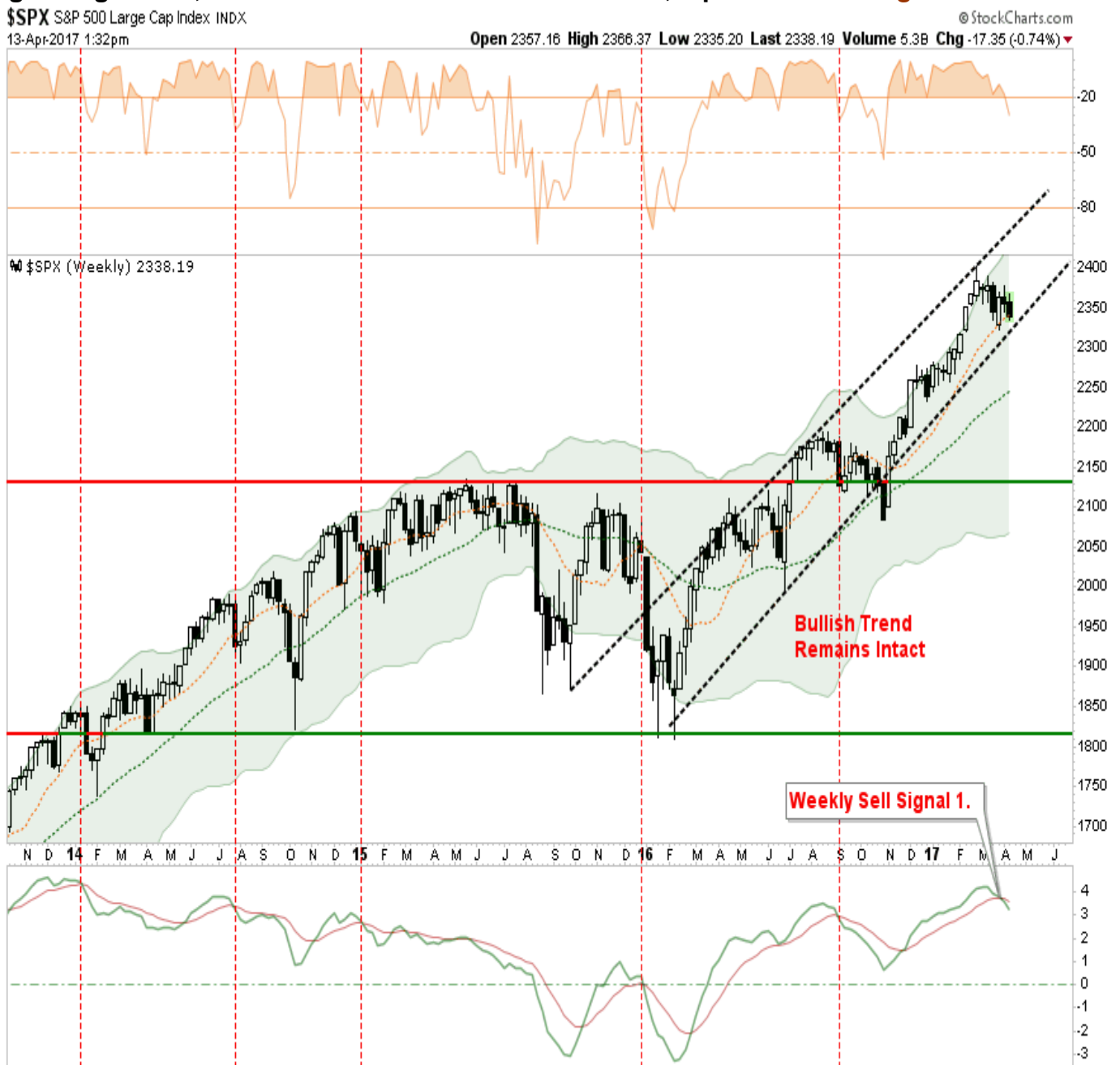
In my money management process, portfolio "risk" is "ratcheted" up and down based on a series of signals which tend to indicate when market dynamics are either more, or less, favorable for having capital exposed to the market. This model is published each week in the [Real Investment Report](#) as shown below:



As you will notice, portfolios NEVER reach 100% cash levels. The reason is purely psychological. Once individuals go to 100% cash, it is extremely hard to re-enter back into the markets. I learned this lesson in February 2009 when I wrote the article **"8-Reasons For A Bull Market"** which stated:

*"Any weakness next week will most likely warrant a push down to 800 for first support and then the November lows of 750.?? We believe that these lows will hold although we are aware that if the market doesn't get 'it' together soon further weakness could show itself. We are cautious here and still holding on to a lot of cash waiting for some signal that the market is making a turn for the short term to the better. March, April, and May tend to be fairly strong months for the market and any 'real' assistance next week for homeowners could push the markets higher. A move above 900 will be a signal for a move higher in the markets."*

Of course, the market bottomed on March 9th at 666 and never looked back as over \$33 Trillion in various bailouts, workouts, subsidies, and QE followed. However, when the markets bounced above 900, suggesting it was time to re-enter the market, I faced extremely tough resistance from clients. I learned maintaining a small slug of exposure, which can be completely hedged, it becomes far easier to add to an existing position as improvement can already be seen. So, why do I bring this up? Because the market has now tripped the first signal as shown above, and below, sending a warning that further weakness could ensue. With the first signal registered, combined with a break of the 50-dma, it puts us on **"a signal-1 alert."**



With portfolios already hedged, as we added a lot of bond and interest rate sensitive holdings back in January, there is no action to take currently. This is why, for now, it is only an "alert" that something more important is developing. The bullish trend remains intact, and the two primary signals (2 & 3), which would initiate further equity reductions, remain on "buy signals" currently. With the markets getting oversold and "bearish" sentiment increasing on a short-term basis, it is quite likely the markets will rally next week. It is the success or failure of that rally attempt that will dictate what happens next. However, as noted by the "red vertical" lines above, previous weekly "sell" signals have typically devolved into more substantial declines.

*Pay attention....things are getting interesting.*

In the meantime, here are some things to read over the long Easter weekend.

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## Trump/Fed/Economy

- If An Electorate Falls In The Forest...?by [Danielle DiMartino-Booth via Money Strong](#)
  - **3-Precursors Of '08 Crisis Repeating Now?**by [Nomi Prins via Daily Reckoning](#)
  - Prepare For The Reversal Of The Trump Tradeby [James Rickards via Daily Reckoning](#)
  - Fed Communicating A Recession Is Imminent?by [Chris Hamilton via Econimica](#)
  - WTF! Trump Flips On 5-Core Campaign Promises?by [Tyler Durden via Zero Hedge](#)
  - **The Stunning Gap Between Sentiment & Certainty?**by [Paul Vigna via WSJ](#)
  - Federal Reserve's Recovery Playbook?by [Gubb via Gubbmint Cheese](#)
  - Trump's Wall Street Faction Starting To Win Him Over?by [Bob Bryan via BI](#)
  - Economy Stuck In Near Zero World?by [Justin Wolfers via NYT](#)
  - Trump Should Dump Goldman Guys On Taxes?by [Tho Bishop via ARC](#)
  - Fiscal Reality Test For Republicans?by [Nouriel Roubini via Project Syndicate](#)
  - Reflation? Not Really, Yields Going To 1%?by [Ivan Martchev via MarketWatch](#)
  - **4-Reasons To Worry About The Economy?**by [Simon Constable via US News](#)
  - How The Fed Snuck Billions Into The Economy?by [John Crudele via New York Post](#)
  - Yields Paying Little Attention To Yellen?by [Jeffrey Snider via Alhambra Partners](#)
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## Illusion Of Liquidity

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## Markets

- American's Most Optimistic About Stocks In 20-Years?by [Vince Golle via Bloomberg](#)
  - Expensive Stocks & End Of Trump Trade?by [Akin Oyedele via BI](#)
  - **Gundlach: Stocks Are Expensive & Trump Trade Over?**by [Akin Oyedele via BI](#)
  - Absence Of The Fear Of Loss?by [Doug Kass via Real Clear Markets](#)
  - Geopolitical Stresses Could Trip Up The Markets?by [Ron Insana via CNBC](#)
  - No One Noticing This Big Red Flag?by [Howard Gold via MarketWatch](#)
  - How Trump Market Ranks As He Reaches 100-Days?by [Mark DeCambre via MarketWatch](#)
  - **Stock Market Priced For Too Much Hope?**by [Bill Gross via Janus Capital](#)
  - What The Oldest Market Timing System Is Saying Now?by [Mark Hulbert via MarketWatch](#)
  - Bond Yields Follow Economic Data?by [Bryce Coward via GaveKal Capital](#)
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# Point-Counter Point

- Lies, Damn Lies & Financial Statistics?by [Peter Coy via Bloomberg](#)
  - Lies, Damn Lies & Data Miningby [Clifford Asness via AQR](#)
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## Research?/ Interesting?Reads

- **Tesla's Inexplicable Ponzi Scheme Valuation?**by [Wolf Richter via Wolf Street](#)
  - **Former GM Vice-Chair Trashes Tesla**by [Tyler Durden via ZeroHedge](#)
  - How To Make Tax Day Go Away?by [Caroline Baum via MarketWatch](#)
  - American's Have Become Lazyby [Heather Long via CNN Money](#)
  - 50% Of Americans Live Paycheck-To-Paycheck?by [Quentin Fottrell via MarketWatch](#)
  - Beating The Odds With?A New Venture?by [Gilbert & Eyring via Harvard Business Review](#)
  - **What I Think I Know About Investing?**by [Noon Six Capital via Medium.com](#)
  - Let Me Convince You To Save Money?by [Morgan Housel via Motley Fool](#)
  - US College Debt Bubble Getting Dangerous?by [Rana Foroohar via Time](#)
  - False Promise Of A "Gig" Economy?by [Editorial Staff via NYT](#)
  - **Why Are Bond Managers So Weird & Pessimistic??**[Julie Segal via Institutional Investor](#)
  - What's Causing The Retail Meltdown?by [Derek Thompson via The Atlantic](#)
  - Investors Stuck In Self-Reinforcing Echo Chamber?by [John Hussman via Hussman Funds](#)
  - Vexing VIX Behavior - Part 1?by [Dana Lyons via Tumblr](#)
  - Gold On The Verge Of Greatness?by [Jesse Felder via The Felder Report](#)
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*?Knowledge of financial history is critical to successful investing" -?Larry Swedroe*

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