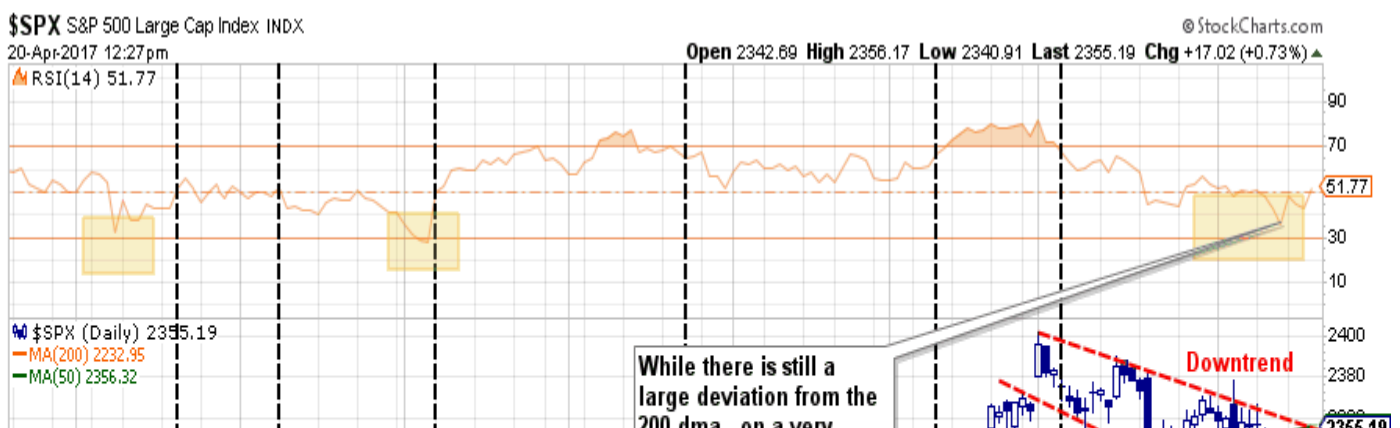


*By the time **weekly signals are issued on an intermediate-term basis**, the market is generally **oversold**, with **?bearish?•sentiment increasing, on a short-term (daily) basis**. Given those short-term conditions, **it is quite likely the markets will rally next week.***

Chart updated through Thursday.



Of course, it is the success or failure of that rally attempt that will dictate what happens next but with the markets currently oversold, I fully expect the markets to rally in the short-term given even the most modest of positive news. For example, as what drove the spike yesterday as news filtered into the market a deal on the ACA repeal may be forming. Via [HuffPo:](#)

"GOP moderates and conservatives are nearing a deal on health care that in theory could get the Republican alternative to the Affordable Care Act out of the House and over to the Senate."

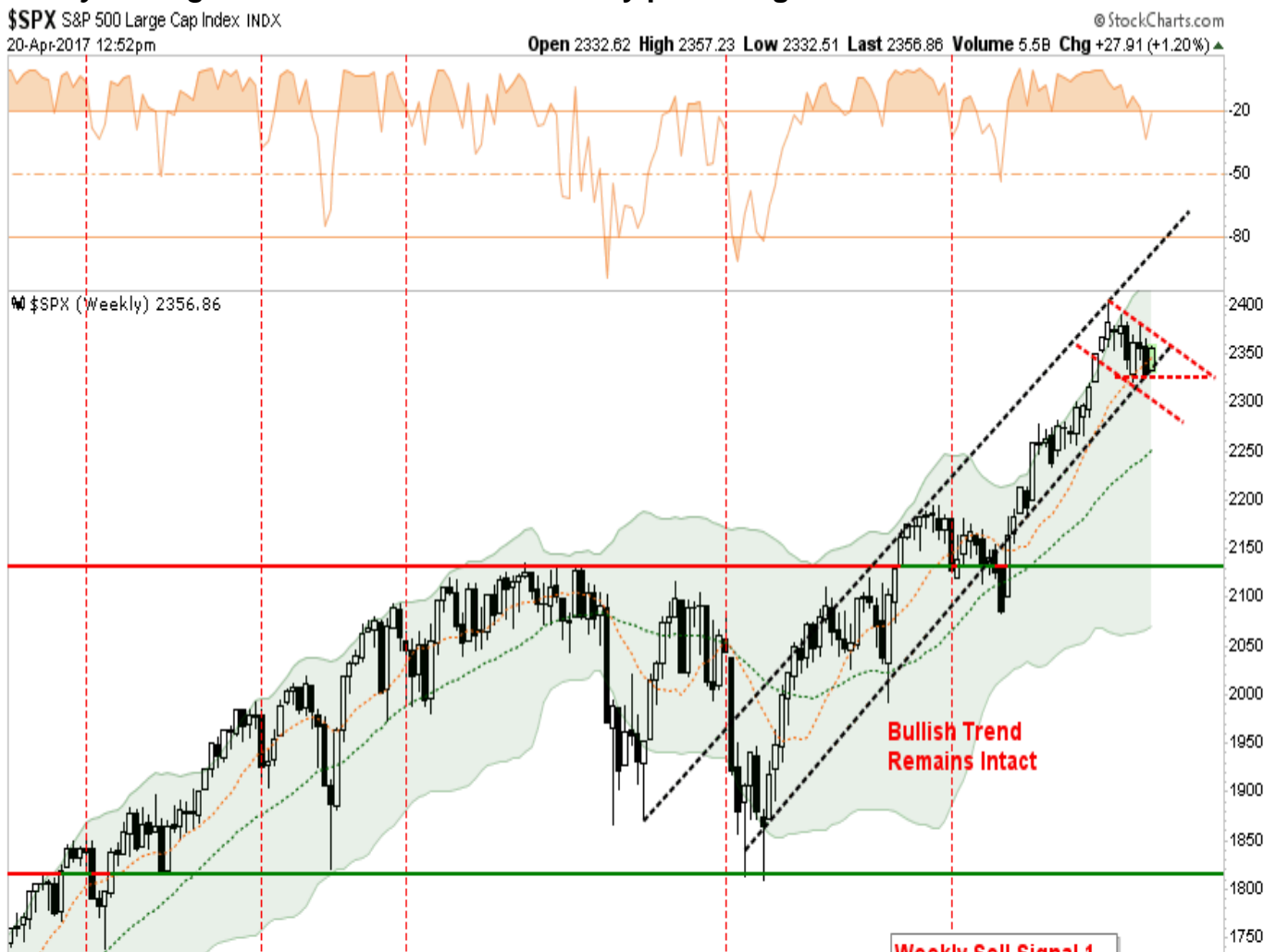
And Steve Mnuchin's [comments on CNBC](#) about the potential of tax reform.

"The Trump administration is close to bringing forward major tax reform, and will unveil a plan very soon."

While the markets continue to buy into the "jawboning" for now, the economic and political realities are becoming a real risk for the markets. Furthermore, the potential for successful tax reform will be much more difficult than most are currently expecting. Then there is the "debt ceiling" debate. When Congress resumes next week, they will immediately pass a "One-Week Continuing Resolution" in order to buy time needed to negotiate a "CR" for the rest of the 2017 fiscal year through August. **However, this negotiation will likely come at a "cost" of funding previous ACA requirements and "Planned Parenthood" which many Congressional Republicans strongly oppose. Again, this is going to further delay "tax reform and cuts" which is what has been the driver of the market rally since last November. Therefore, the question remains:**

"How much time does the Administration have to make good on its promises?"

While I do suspect there is a reasonable opportunity for the market rally to continue in the short-term, even potentially setting new highs, there are numerous issues stacking up which could lead to a market stumble this summer. Which, historically speaking, is likely what the "weekly sell signal" in the markets is currently predicting.



As I stated last week: *Pay attention....things are getting interesting.* In the meantime, here is what I am reading this weekend.

Trump/Fed/Economy

- America's Gilded Age On The Rocks - Part II [by Danielle DiMartino-Booth via Money Strong](#)
 - **Fed's Rosengren: Fed's Balance Sheet Used In Next Recession** [by Tyler Durden via ZeroHedge](#)
 - American Hiring Seems Frozen [by Elena Holodny via BI](#)
 - Nearly Impossible To Repeal & Replace ACA Next Week [by Bob Bryan via Business Insider](#)
 - Fed's Only Possible Reason To Raise Rates Is Vanishing [by Pedro Da Costa via BI](#)
 - **Anything President, Everything Bubble** [by David Stockman via The Daily Reckoning](#)
 - Infrastructure Spending Is Crucial [by Jonathon Trugman via NY Post](#)
 - Trump Bump Turns To Speed Bump [by Conrad de Aenlle via NT Times](#)
 - Trump: End The West-Wing War & Focus On Growth [by Ralph Benko via Forbes](#)
 - **Tough Road Ahead For "Made In America"** [by Nick Carey via Reuters](#)
 - History Doesn't Bode Well For Tax Reform [by Steve Goldstein via MarketWatch](#)
 - Risk The Fed Misinterprets Bond Yields [by Tim Duy via Fed Watch](#)
 - **Why Government Spending Is A Disaster** [by John Crudele via NY Post](#)
 - Why Are Republicans Making Tax Reform So Hard [by Steve Forbes via Forbes](#)
 - CBO Indicates Importance Of Deficit Reduction [by James Capretta via AEI](#)
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Markets

- Is The US Market At A Major Inflection Point [by Financial Sense](#)
 - Is Gold's Comeback Just A Tease? [by Michael Kahn via Barron's](#)
 - **Next Stop For 10-Year Is 1.5%** [by Sunny Oh via MarketWatch](#)
 - I'm Not Short Simply Because This Bull Won't Die [by Doug Kass via Real Clear Markets](#)
 - A Catalog Of Investing Errors [by Timarr via Psy-Fi Blog](#)
 - **Markets Start To Ponder \$13T Gorilla** [by Curran, McCormick & Lam via Bloomberg](#)
 - Contrarian: Why The S&P 500 Is NOT Overvalued [by Michael Kramer via Investopedia](#)
 - Thoughts On Inflation, Rates & Fed [by David Kotok via Cumberland Advisors](#)
 - Is The Market Ignoring The Peril Ahead? [by Robin Wigglesworth via FT](#)
 - Bond Yields Follow Economic Data [by Bryce Coward via GaveKal Capital](#)
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Research/ Interesting Reads

- Meltdown In Houston AutoMarket Has An Eerie Past [by Wolf Richter via Wolf Street](#)
- The Demographics Of Our Future [by Jeffrey Snider via Alhambra Partners](#)
- Why Didn't Sentiment Translate Into Action? [by Caroline Baum via MarketWatch](#)
- Dumb And Dumber-er [by The Heisenberg via Seeking Alpha](#)
- Wall Street Is Changing How It Trade ETF's [by Joe Ciolli via BI](#)
- Why We Think We're Better Investors Than We Are [by Gary Belsky via NY Times](#)
- Larry Fink Q&A [by Erik Schatzker via Bloomberg](#)
- **Lines In The Sand** [by Howard Marks via OakTree Capital](#)

- **Vanguard Growing Faster Than Everyone Else Combined** [by Landon Thomas via NY Times](#)
 - **The Seismic Shift Into ETF's** [by Lewis Braham via CNBC](#)
 - **It Costs \$409 Billion To Figure Out Our Taxes** [by IBD](#)
 - **Retail Apocalypse Ripping Through Economy** [by Hayley Peterson via BI](#)
 - **The Value Of "Dry Powder"** [by John Hussman via Seeking Alpha](#)
 - **Are Bonds Headed Back To Extraordinary Lows** [by Dana Lyons via Tumblr](#)
 - **How The Passive Indexing Mania Went Awry** [by Jesse Felder via The Felder Report](#)
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?The stock market is the story of cycles and of the human behavior that is responsible for overreactions in both directions.? -Seth Klarman

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