

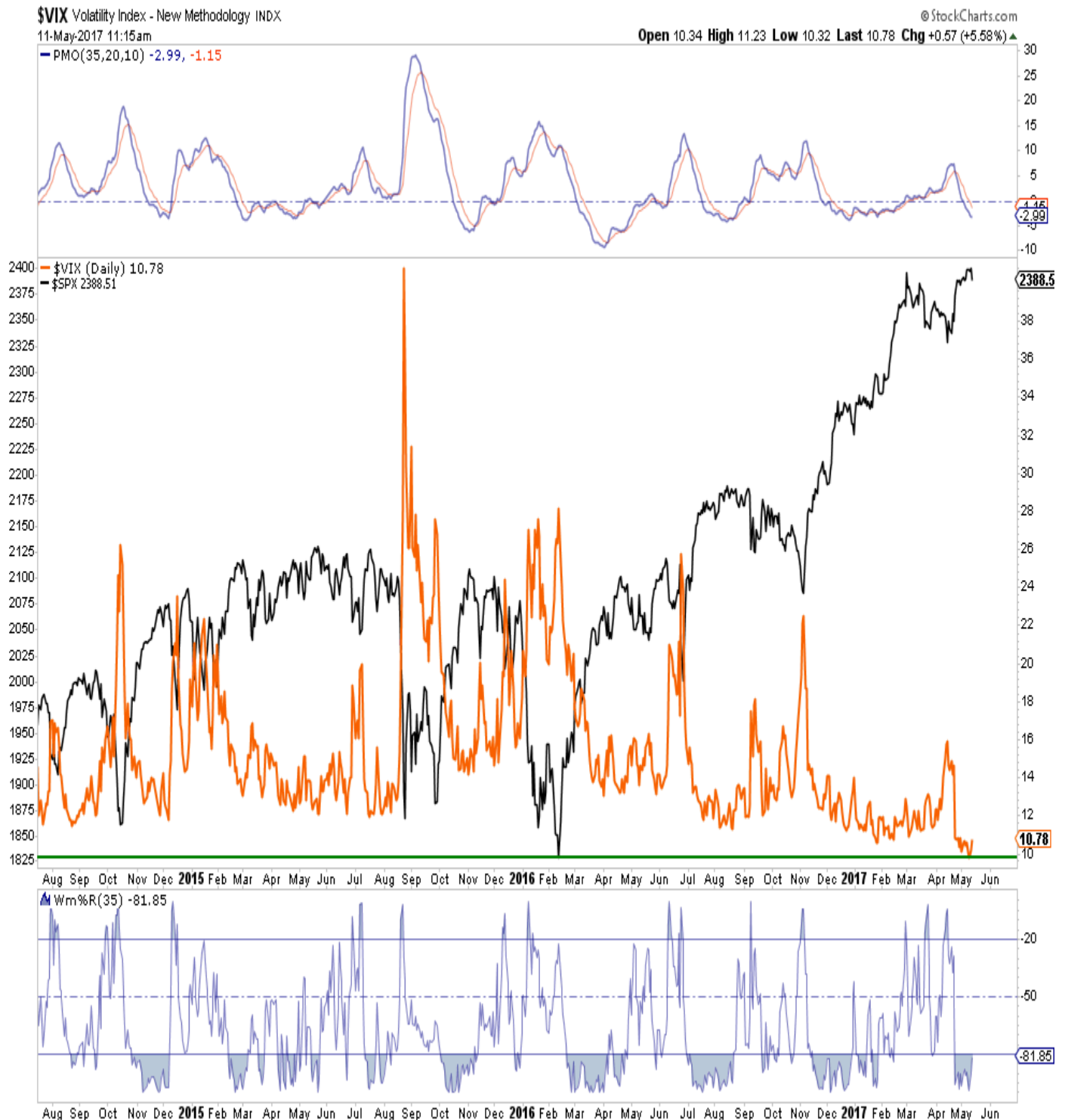
The DRUDGING REPORT

Weekend Reading

This...has...to...be...the...most...boring...market...ever.



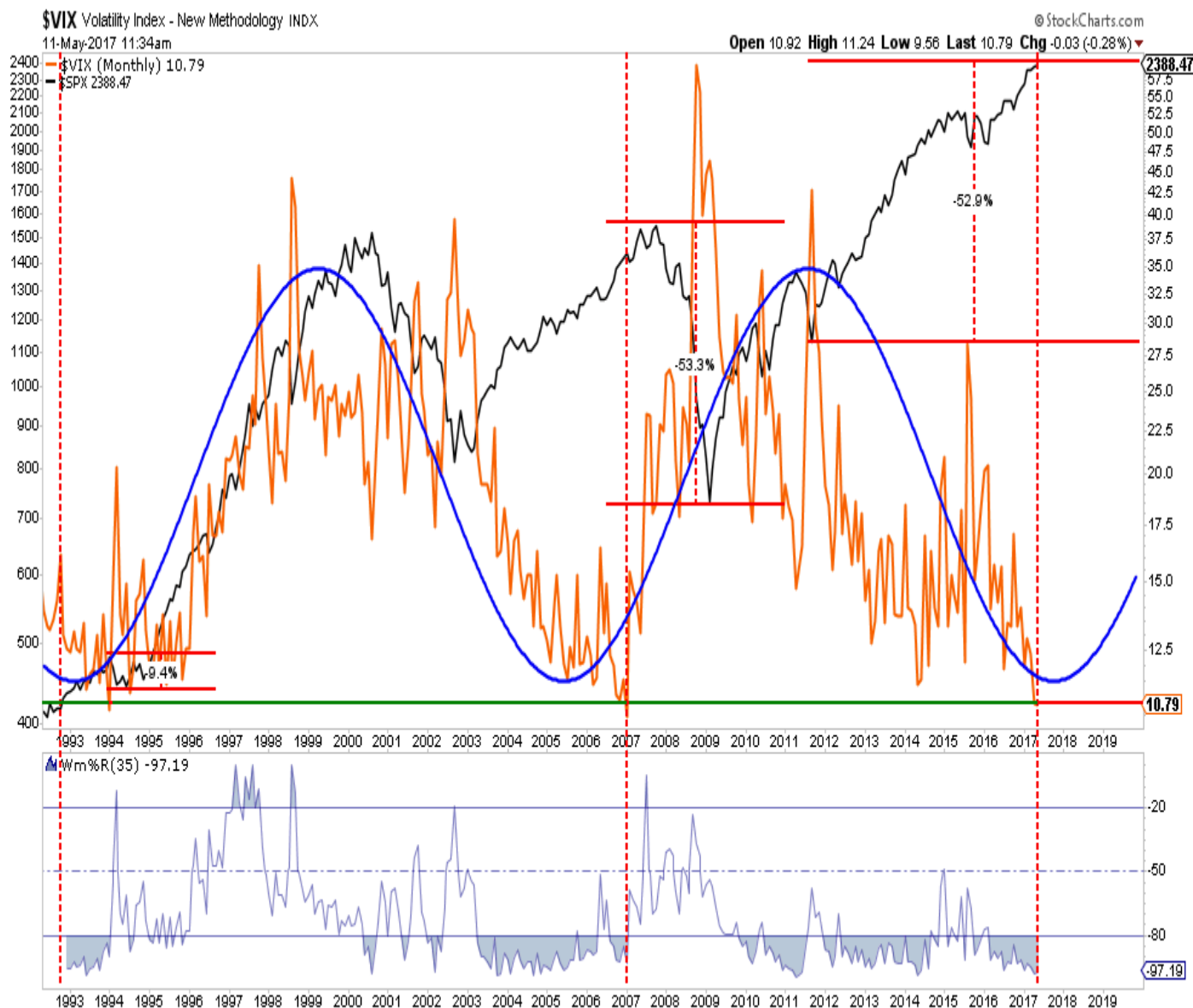
For almost a month now, the market has gone literally nowhere. Despite news of the passing of the American Health Care Act, the Continuing Resolution, or "stellar" earnings reports...nothing seems able to excite either the bulls or the bears. **Boring.** The only thing more boring than the market over the past few weeks has been the volatility index which recently hit lows not seen in over a decade.



As was noted last week by John Mauldin:

"There have been only 11 days out of some 6900, going back almost 28 years, when we've had a sub-10 VIX. When I look carefully at those dates, the word complacency leaps to mind."

He is right. And the problem with complacency, like everything else in the world, is that it comes and goes in cycles. The chart below is the MONTHLY read on the volatility index as compared to the S&P 500 index. I have marked the previous low levels of the volatility index and the subsequent corrections.



It should be noted the correction in 1994, while small was following the recession of 1991 as the market was just beginning to enter into the "dot.com" craze. **The current environment more closely resembles that of 2007 as the market heads toward the END of a bullish phase with valuations extended, exuberance high and fear extremely low. (I have marked a similar correction back to the 2011 support levels.)** Like high levels of margin debt, low levels of volatility is not a problem...until it is. **Falling levels of volatility, like rising levels of margin debt, are not good leading indicators to predict a change in market behavior. However, margin debt, corporate leverage, volatility, when eventually ignited by some catalyst, is the equivalent of throwing a stick of dynamite into a tanker of gasoline.** But that is a story for another day. For now, the market remains boring as investors rush to "buy in" to the bull market exuberance. It seems as if investors will never learn. In the meantime, here is what I am reading this weekend.

Politics

- **Trump Talks Trumponomics With Economists** by Tyler Durden via [ZeroHedge](#)
- **6-Month Window & A Fiscal Fumble** by Jason Leach, CFA via [FusionPoint Capital](#)
- **Why Comey Dismal Is A Negative** by Edward Harrison via [Credit Writedowns](#)
- **America's Economy Is Adequate Again** by Matt O'Brien via [Wonkblog](#)
- **Tax Cuts & The Stock Market** by Jeffrey Kleintop via [Charles Schwab](#)
- **Trump Stuck In A Low Growth Trap** by Robert Samuelson via [RCM](#)

- **Glass-Steagall Reboot Worse Than Disease** [by Allan Golombek via RCM](#)
 - **Killing Banking Rules Will Bring Downturn** [by Mark Thoma via Fiscal Times](#)
 - **Pay Attention To The Hard Data** [by Charles Lieberman via Bloomberg](#)
 - **Clock Is Ticking On Tax Reform** [by Jeremy Scott via Forbes](#)
 - **Pressure Is Building To Raise Rates Faster** [by Tim Duy via Fed Watch](#)
 - **Tax Plan Would Blow Up The Deficit** [by Rob Garver via Fiscal Times](#)
 - **Why Tax Revenue Projections Are ALWAYS Wrong** [by Richard Rahn via Washington Times](#)
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Markets

- **There's No Growth - Stunning Warning For OPEC** [by Tyler Durden via ZeroHedge](#)
 - **The Bond Market Didn't Get The Memo** [by Caroline Baum via MarketWatch](#)
 - **What's The Deal With Low Volatility** [by James Picerno via Capital Spectator](#)
 - **The Great Narrowing Of The S&P 500** [by Wolf Richter via Wolf Street](#)
 - **Perfect For All Of Eternity** [by David Stockman via Daily Reckoning](#)
 - **Get Ready For Lower Market Returns** [by Michael Santoli via CNBC](#)
 - **Losing Control** [by Eric Parnell via Seeking Alpha](#)
 - **Stock Market Still Has Room To Run** [by Michael Kahn via Barron's](#)
 - **Don't Wait For Recessions To Sell** [by Anora Mahmudova via MarketWatch](#)
 - **As Optimism Multiplies, Risk & Disappointment Expand** [by Doug Kass via Real Clear Markets](#)
 - **Storytelling Animals** [by Charlie Bilello via Pension Partners](#)
 - **A Bear Market Approaches, But A Bull Run First** [by Howard Gold via MarketWatch](#)
 - **Are You Done Looking For A Top Yet?** [by Avi Gilburt via Nasdaq](#)
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Research•/ Interesting•Reads

- **Pension Tension II: Don't CA My TX** [by Danielle DiMartino-Booth via Money Strong](#)
 - **Dalbar 2016: Investors Remain Own Worst Enemy** [by Tom Allen & Mark Hebner via IFA.com](#)
 - **You, My Friend, Are Crazy** [by Meb Faber via Faber Research](#)
 - **Good Banks, Bad Banks** [by Chris Whalen via Daily Reckoning](#)
 - **ETF's Reach \$4 Trillion In AUM** [by Value Walk](#)
 - **The Time Seems Very, Very Different** [by Denis Ouellet via Edge & Odds](#)
 - **The Pig Has Exited The Python** [by Mark Hanson via MHanson.com](#)
 - **Is \$1 Million Enough To Retire?** [by Taylor Schulte via Kiplinger](#)
 - **An Accident Waiting To Happen** [by Jason Zweig via Intelligent Investor](#)
 - **Why 401k's Are Vulnerable To Tax Reform** [by Gail Marks Jarvis via Chicago Tribune](#)
 - **Why Are Markets Ignoring Black Swans** [by Nouriel Roubini via Project Syndicate](#)
 - **Financial Lessons From Mom** [by Carrie Schwab-Pomerantz via Schwab](#)
 - **Investors Ignore Central Investing Principles** [by John Hussman via Hussman Funds](#)
 - **Record Close But No Cigar** [by Dana Lyons via Tumblr](#)
 - **A Lot Of Smart People Using Those 4-Words** [by Jesse Felder via The Felder Report](#)
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?There is nothing riskier than the widespread perception that there is no risk.? -•
Howard Marks

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