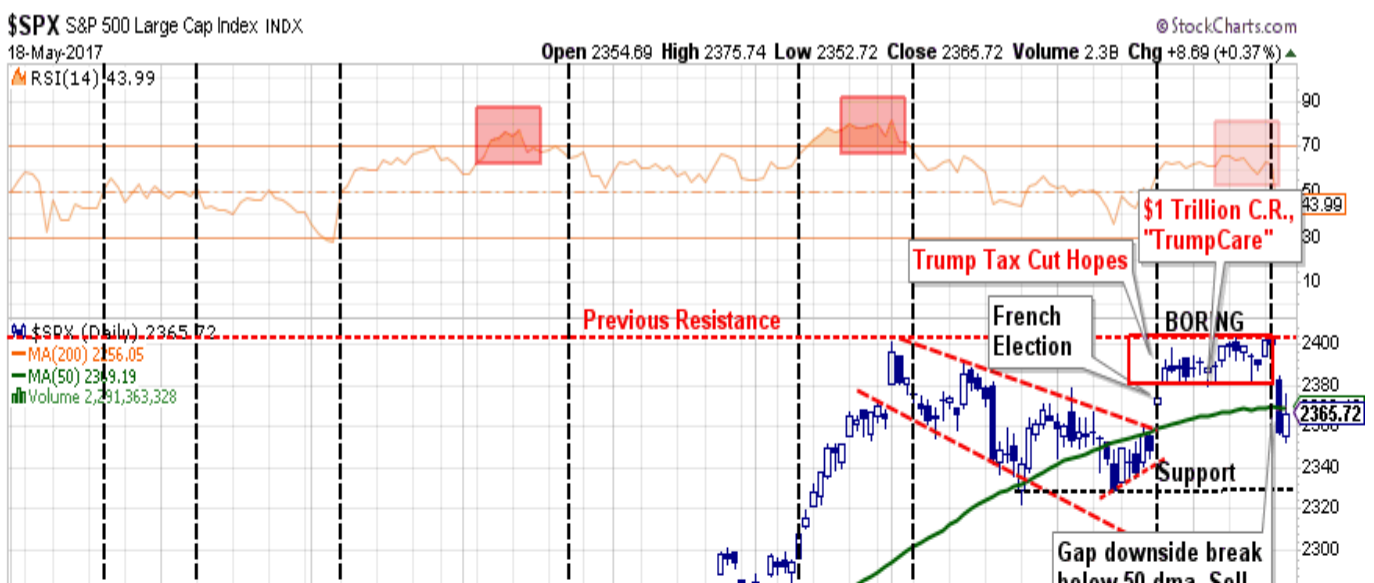


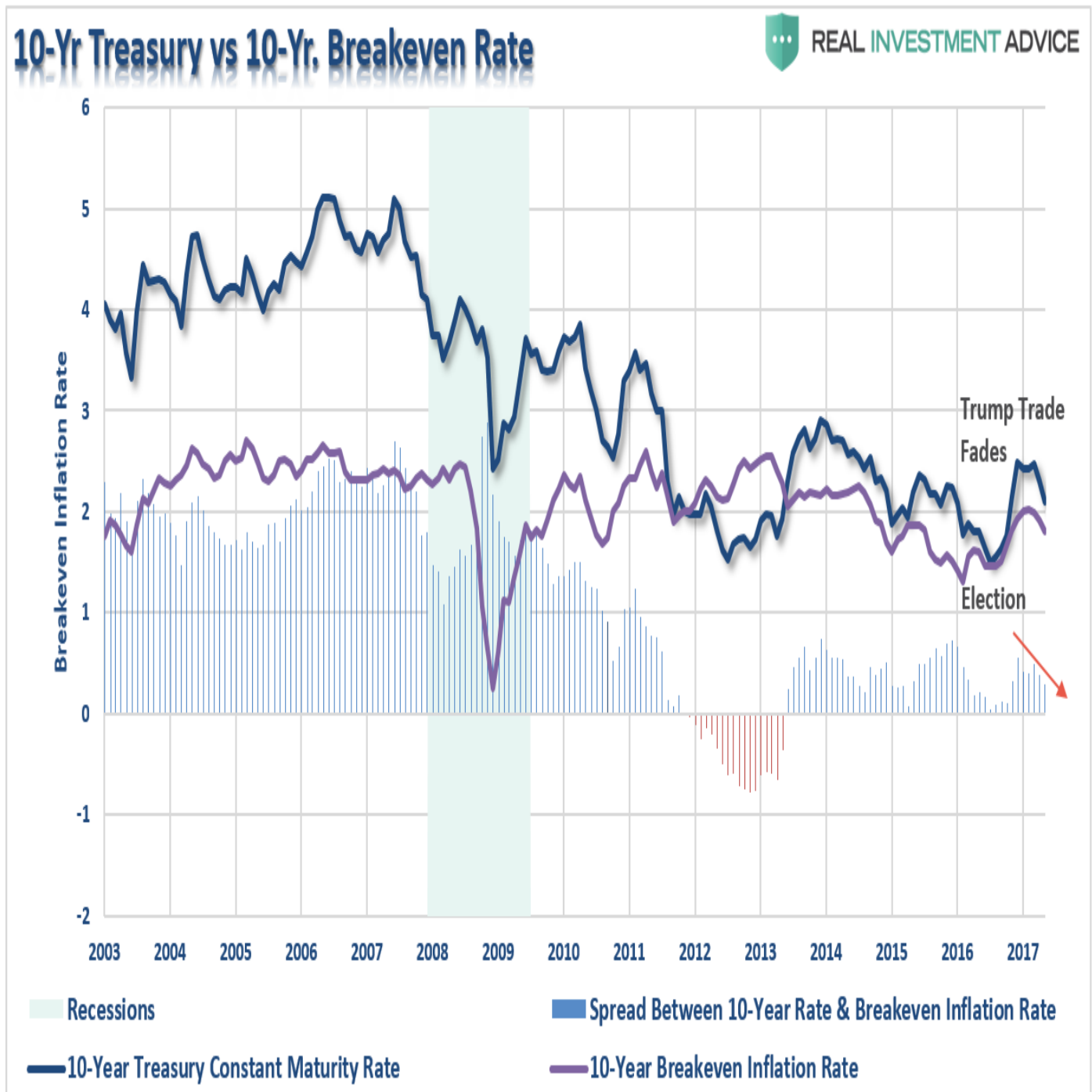


Interesting.... For the last few months, there have been ongoing issues surrounding the "Russia Connection" and the underlying, and ongoing, investigations into the potential involvement/interference into the Presidential elections. The market hasn't cared. •Until Wednesday. As [I noted last Friday](#):

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



As suspected, it did end with a bang on Wednesday as markets dropped sharply on the news of a ["leaked" memo](#) to the New York Times. James Comey, former head of the FBI, will now be questioned by Congress next week and asked to provide that memo, but in the mean time the Justice Department has now appointed a special prosecutor to investigate the *"Russia Connection."* •While the Washington intrigue is certainly interesting, the question is *"why after all these months did it matter to the markets now?"* •**The answer is simple. It potentially stalls all the legislative actions the markets have been banking on for the *"Trumpflation"* trade from tax cuts to infrastructure spending.** A look at the bond market gives you a clearer picture of the *"fading"* hopes on an inflation-driven economic boom.



Importantly, as shown in the chart of the S&P 500 above, the markets broke below the 50-dma on Wednesday and triggered a short-term *"sell signal"* as shown in the lower part of the chart. Importantly, these signals when previously triggered have denoted periods of increased volatility and corrective actions until they are complete. **Despite the rally on Thursday, I suspect the *"shot across the bow"* on Wednesday was just that, a warning shot to investors which suggest reflexive rallies should be used to rebalance and de-risk portfolios for now.** •We need to see what happens over the next week to see if the markets can regain their footing.

However, for now, [holding a little dry powder continues](#) to make some sense. In the meantime, here is what I am reading this weekend.

Politics/Fed/Economy

- **The Running Of The Bull Mouths** [by Danielle Dimartino-Booth via MoneyStrong](#)
 - **Trump Woes Not Driving Markets** [by Edward Harrison via Credit Writedowns](#)
 - **Household Debt Hits New Record** [by Tyler Durden via Zero Hedge](#)
 - **"Look Ma, No Hands!"** [by David Stockman via Daily Reckoning](#)
 - **Fed Is Wrong To Obsess About Wages** [by Caroline Baum via MarketWatch](#)
 - **Bogus CPI Data Won't Slow The Fed** [by Lee Adler via Daily Reckoning](#)
 - **GOP May Have To Vote On Health Care Again** [by Bob Bryan via BI](#)
 - **6 Long-Term Economic/Investment Themes - Part 1** [by A. Gary Shilling via Bloomberg](#)
 - **6 Long-Term Economic/Investment Themes - Part 2** [by A. Gary Shilling via Bloomberg](#)
 - **Worst News For Economy Coming From Banks** [by Jeff Cox via CNBC](#)
 - **Trump Waging War On Working Class** [by Robert Borosage via The Nation](#)
 - **Fed Is Making A \$2 Trillion Mistake** [by Narayana Kocherlakota via Bloomberg View](#)
 - **Inflation Not Cooperating With Fed** [by Tim Duy via Fed Watch](#)
 - **Orwellian Monetary Policy** [by Macromon via Global Macro Monitor](#)
 - **American Dystopia Didn't Begin With Trump** [by Darrell Delamaide via MarketWatch](#)
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Markets

- **Evercore: Don't Expect To Be Bailed Out By The Fed** [by Tyler Durden via ZeroHedge](#)
 - **History Suggests Investors Should Be Way More Cautious** [by Paul Brandus via MarketWatch](#)
 - **The Big Picture** [by Ray Dalio via Linked-In](#)
 - **Signs Point To Equity Under Performance** [by Bryce Coward via Knowledge Leaders](#)
 - **Get Ready For Lower Market Returns** [by Michael Santoli via CNBC](#)
 - **Elevated Stock Prices Are Here To Stay** [by John Coumarios via MarketWatch](#)
 - **Fell On Black Days** [by Eric Parnell via Seeking Alpha](#)
 - **Is This The End Of The Trump Rally** [by Michael Kahn via Barron's](#)
 - **The VIX Article No One Will Like** [by Kevin Muir via The Macro Tourist](#)
 - **Unusually Low Volatility Dangerous For Stocks** [by Mohamed El-Erian via Bloomberg](#)
 - **An Eerie Similarity To 2007** [by Doug Kass via Real Clear Markets](#)
 - **Please Don't Repeat To-Big-To-Fail** [by USA Today](#)
 - **Markets Don't Know What To Expect** [by Dan Kern via US News & World Report](#)
 - **Sell-Off As Much About Earnings As Trump** [by Howard Gold via MarketWatch](#)
 - **A Setup In Place For A Pullback** [by Avi Gilburt via MarketWatch](#)
 - **Staying Stuck** [by Jeffrey Snider via Alhambra Partners](#)
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Research•/ Interesting•Reads

- **Used Car Values Sink** [by Wolf Richter via Wolf Street](#)
- **Dalbar 2016: Investors Remain Own Worst Enemy** [by Tom Allen & Mark Hebner via IFA.com](#)
- **CAPE, Why Hast Thou Forsaken Me** [by Meb Faber via Faber Research](#)
- **Time To Drop "Thought Leader" From Your Resume** [by Simon Constable via Forbes](#)

- **The Time Seems Very, Very Different** by Denis Ouellet via Edge & Odds
 - **The Pig Has Exited The Python** by Mark Hanson via MHanson.com
 - **Financially Stressed Prefer Saving** by Jim Norman via Gallup
 - **Rich Retirees Hoarding Cash Out Of Fear** by Ben Steverman via Bloomberg
 - **Here's What A Tesla Roof Will Cost You** by Stacey Leasca via Forbes
 - **Hidden Debt & Deficits - 2017** by Joshua Rauh via Hoover Institution
 - **Factor Tilts Are Not Smart Beta** by Rob Arnott via Research Affiliates
 - **Investors Pay Twice For High P/E's** by John Hussman via Hussman Funds
 - **Emerging Markets At A Crossroads** by Dana Lyons via Tumblr
 - **Investors Better Hope This Time Is Different** by Jesse Felder via The Felder Report
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?The Market Will Always Tell You When You Are Wrong.? -Jesse Livermore

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