

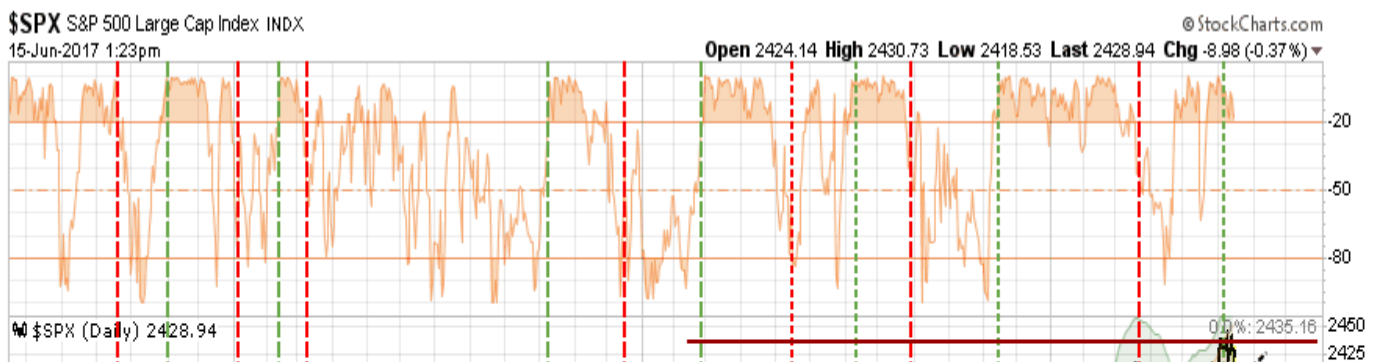
Charged With Obstruction

Weekend Reading

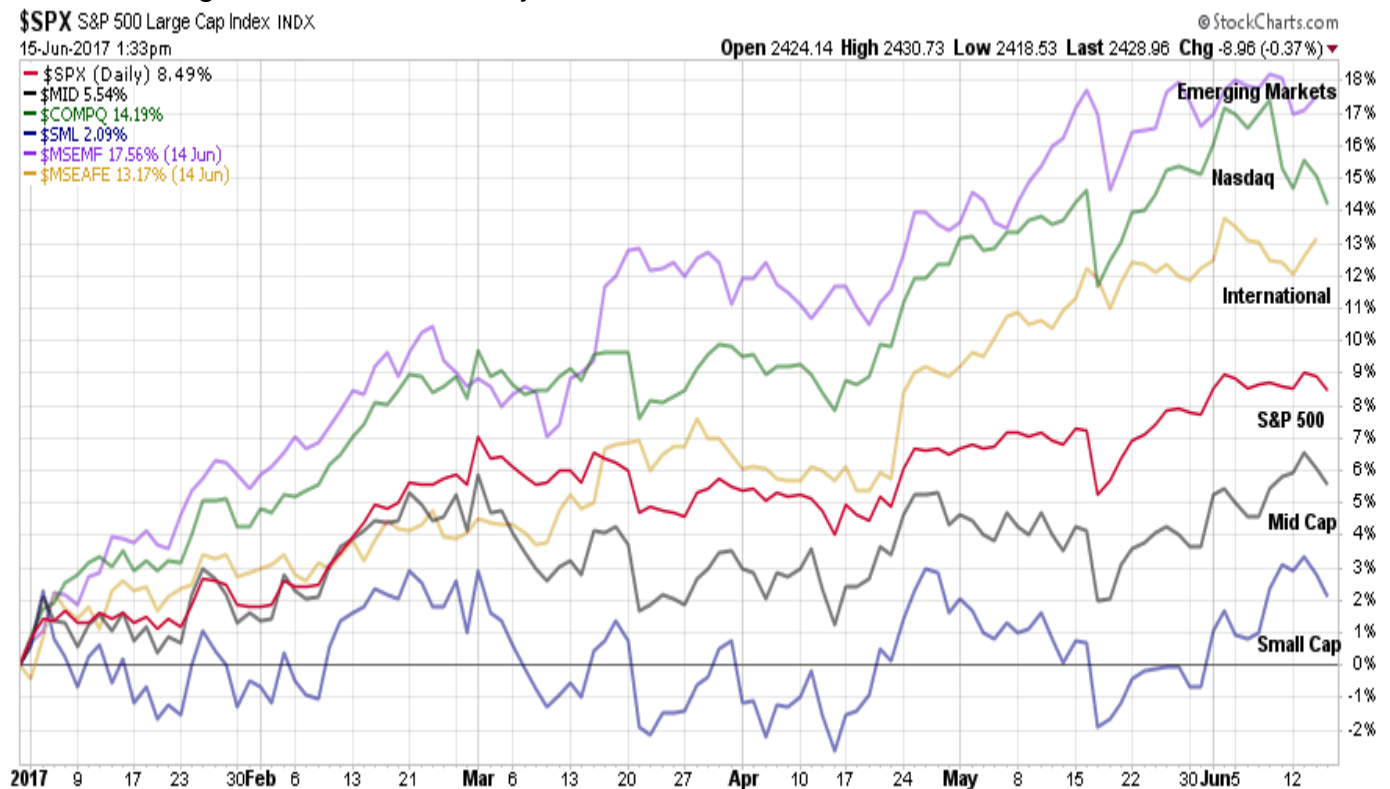
No! I am not talking about President Trump but rather the crash in both Technology stocks, and Oil prices, which are obstructing the continuation of the "bull market." As I discussed [this past Tuesday](#), the mini "flash crash" in Technology certainly woke investors up.

"While there is certainly damage being wrought in the Technology and Discretionary sectors, the rotation to Financials, Energy, Small and Mid-Capitalization areas are offsetting the correctionary process. As shown below, the markets remain confined to the bullish trend currently while the overbought condition is being reduced."

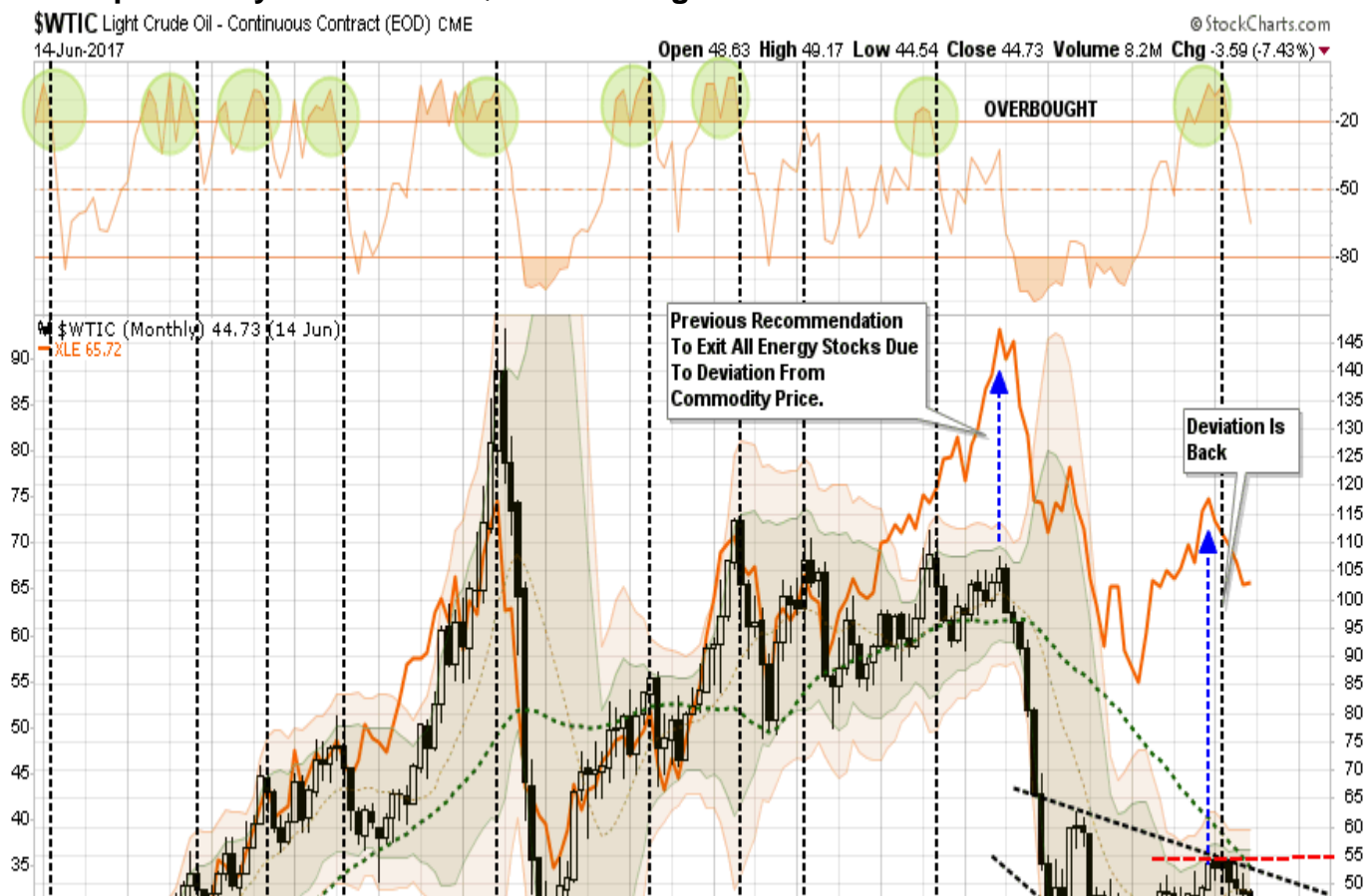
As shown in the updated chart below, despite all of the "angst" there has been relatively little price deterioration to date.



While the Nasdaq has primarily been under pressure from the unwinding of the excess in the main **#FANMAG** (\$FB, \$AAPL, \$NFLX, \$MSFT, \$AMZN & \$GOOG) stocks, as shown below, some performance pickup by small and mid-capitalization stocks, as well as emerging markets, limited portfolio damage over the last few days.



As money rotates wildly between sectors and markets, in a clear attempt to stay invested, the risk of a decoupling has risen in recent weeks. This is particularly the case if it either becomes clear Trump's legislative agenda is not going to progress OR earnings begin to disappoint. **I believe BOTH of those outcomes are highly likely.** First, with Trump embroiled in investigations, allegations, and general revolt, the ability to progress on legislative agendas has become markedly more difficult. However, the bigger issue is the potential disappointment in earnings expectations as sliding oil prices feed through in the next quarter. **With the recent break below \$45/bbl, there is a real possibility that a test of \$40 is coming.**



With revenue's and CapEx already suppressed, the negative feedback into earnings, expectations, and outlooks is increasing. I would expect to start seeing earnings expectations through the end of the year get trimmed back in the next couple of months. **The problem, of course, is that makes the current valuation arguments that much more difficult to justify.** That could weigh on investor's portfolios sooner rather than later. In the meantime, here's what I am reading this weekend.

Politics/Fed/Economy

- **Housing In America: Movin' On Up** by [Danielle Dimartino-Booth via MoneyStrong](#)
 - **Economic Predictor Moving Towards Recession Sign** by [Jonathan Garber via BI](#)
 - **Stockman: Budget Projections A Fantasy** by [Craig Wilson via Daily Reckoning](#)
 - **Fed's Plan To Shrink Balance Sheet May Have A Problem** by [Pedro Da Costa via BI](#)
 - **Business Say They're Confident, Merger Numbers Disagree** by [Caroline Baum via MarketWatch](#)
 - **Here Is The Fed's Plan To Unwind Its Balance Sheet** by [Bob Bryan via Business Insider](#)
 - **93% Of Employment Gains Are "B.S."** by [Morninghill Capital via RIA](#)
 - **Fed Hikes Rates, Yields Drop** by [James Picerno via Capital Spectator](#)
 - **If Jobless Rate So Low, Why Do Americans Feel Bad** by [Alia Dastagir via USA Today](#)
 - **Fed's Financial Stability Concerns** by [Edward Harrison via Credit Writedowns](#)
 - **End Of Recovery Nearer Than Believed** by [Robert Johnson via MorningStar](#)
 - **The Most Dangerous Part Of Killing Dodd-Frank** by [Matt Egan via CNN Money](#)
 - **All Uncertainty From D.C. Not Created Equal** by [Ray Keating via Real Clear Markets](#)
 - **Infrastructure Won't Create More Jobs** by [Jeff Harding via An Independent Mind](#)
-

Markets

- **U.S. Oil Companies Face A Huge Problem** by [Tsvetana Paraskova via OilPrice.com](#)
 - **BofA: Gray Days - I Watch But Nothing Moves** by [Tyler Durden via ZeroHedge](#)
 - **The S&P Has Only Done This 8-Times** by [The Heisenberg via Talk Markets](#)
 - **Ominous Pattern For Big Technology** by [Nigam Arora via MarketWatch](#)
 - **Biggest Problems For Investors Today** by [David Merkel via The Aleph Blog](#)
 - **Sometimes "Smart Money" Is Dumb Too** by [Jason Zweig via Intelligent Investor](#)
 - **Some Indicators Are VERY Overvalued** by [John Mauldin via Mauldin Economics](#)
 - **Are FANG Stocks Really Dead** by [Michael Kahn via Barron's](#)
 - **This Market Action Is About Machines** by [Doug Kass via Real Clear Markets](#)
 - **Financial Markets Are Increasingly At Risk** by [Bill Gross via Janus Capital](#)
 - **5-Charts On Oil** by [James Heron via Bloomberg](#)
 - **Patience Is The Way To Earn Alpha** by [Anora Mahmudova via MarketWatch](#)
 - **Equity Valuations: It's Different This Time** by [Jeffrey Snider via Alhambra Partners](#)
-

Research•/ Interesting•Reads

- **What Happens When Machines Start Selling** by [Wolf Richter via Wolf Street](#)
- **The Fed Needs A New Theory** by [Scott Sumner via The Money Illusion](#)
- **Why Retirees Shouldn't Shun Markets** by [Anna-Louise Jackson via USA Today](#)
- **GOP Is Shredding Financial Protection** by [Katrina Vanden Heuvel via The Nation](#)
- **The Scariest Chart For Central Bankers** by [Tyler Durden via ZeroHedge](#)

- **Still Crazy After All These Years** [by Cliff Asness via AQR Capital Management](#)
 - **The Limiting Qualities Of Black Box Algo's** [by Gary Smith via MarketWatch](#)
 - **Debt Limit Nightmares Coming True?** [by Brian Beutler via The New Republic](#)
 - **Don't Fear Robots, Fear Low Savings & Investment** [by Nathan Lewis via Forbes](#)
 - **Fed Will Start Cutting Rates By End Of Year** [by John Crudele via NY Post](#)
 - **A Speculation On How This Recovery Ends** [by Conor Sen via Bloomberg](#)
 - **Fair Value And Bubbles: 2017 Edition** [by John Hussman via Hussman Funds](#)
 - **Tech Panic Quickly Deflating** [by Dana Lyons via Tumblr](#)
 - **Is This What A Blow-off Stage Looks Like** [by Jesse Felder via The Felder Report](#)
-

?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](#).