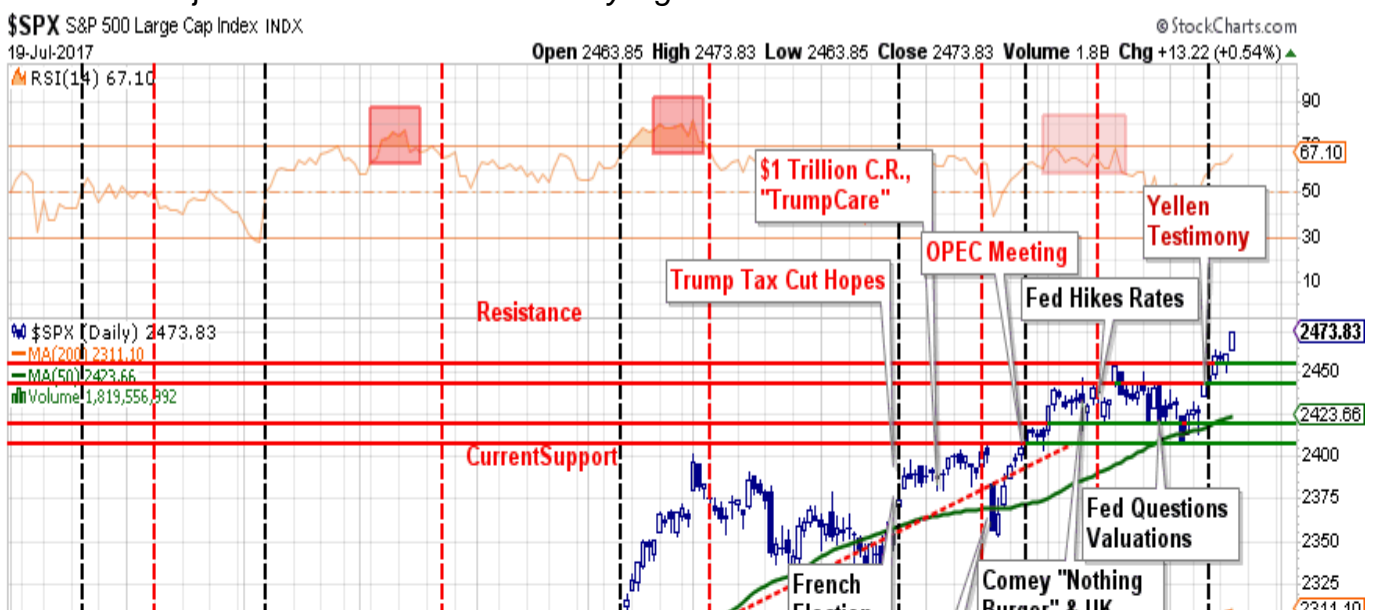


Weekend Reading: Charge Of The Light Brigade



As you I discussed [last week](#), we added risk exposure to portfolios with the breakout to new highs that came in conjunction with a short-term "buy signal" as shown below.



However, when we zoom out a bit, a different picture emerges. Note that in all 3-cases, there was a "Stage-1 Advance" followed by a correction which led to a "Stage-2 Advance." The correction that followed then provided for the final bullish advance which I call the "Charge Of The Light Brigade."



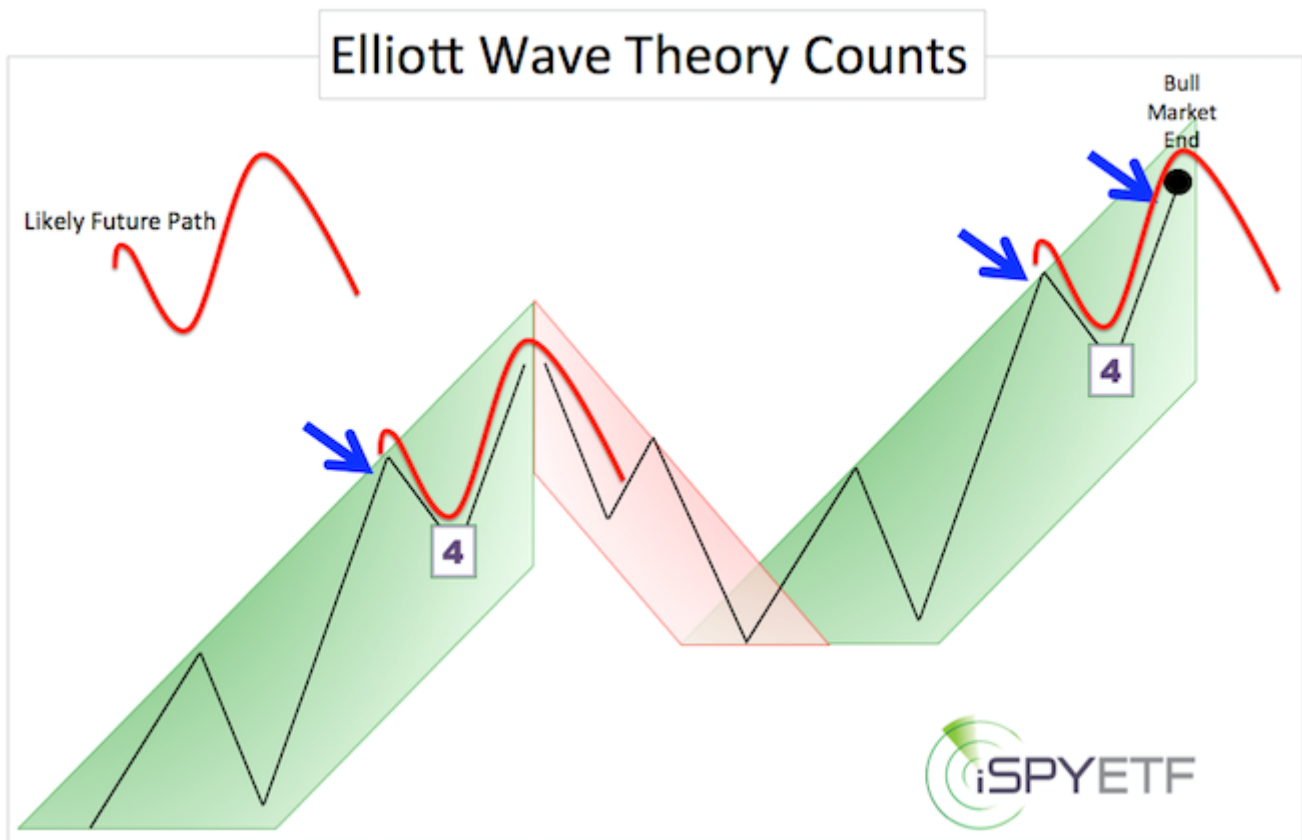
The "Charge of the Light Brigade" was a charge of British light cavalry led by Lord Cardigan against Russian forces during the Battle of Balaclava in 1854, during the Crimean War. Lord Raglan, the overall commander of the British forces, had intended to send the Light Brigade to prevent the Russians removing captured guns from overrun Turkish positions, a task well-suited to light cavalry. However, due to miscommunication in the chain of command, the Light Brigade was instead sent on a frontal assault against a different artillery battery, one well-prepared with excellent fields of defensive fire. Although the Light Brigade reached the battery under withering direct fire and scattered some of the gunners, the badly mauled brigade was forced to retreat immediately. Thus, the assault ended with very high British casualties and no decisive gains. War correspondent William Russell, who witnessed the battle, declared:

"Our Light Brigade was annihilated by their own rashness, and by the brutality of a ferocious enemy."

This current set up is very much like what faced the British Calvary. A market is that overly bullish,

overly complacent and overly valued has already had horrible outcomes for those that charged headlong into it. [Simon Maierhofer](#) recently noted much the same in a recent article:

"The blue arrows in the updated chart below show where the S&P 500 is currently within the larger bull market cycle."



"Regardless of where exactly the market's at, a correction is getting closer. The initial correction will likely be a wave 4 correction (see labels). Waves 4 are notoriously choppy and frustrating. This choppy correction should be followed by another rally (wave 5) and a more pronounced drop (likely late 2017 or early 2018). In a nutshell, although the S&P 500 is unlikely to make net progress in the coming year, there will be an opportunity for investors to lock in profits (at higher prices) and avoid a significant draw down."

I agree with Simon. Whether it is sooner, or later, the current run-up in stocks will end very much the same as they always have with investors **"annihilated by their own rashness and the brutality of a ferocious enemy."** For now, investors race forward with swords drawn, shouting the "bull market passive indexing" battle cry in the face of insurmountable odds solely with a conviction of invincibility. **But such is the nature of every bull market cycle in throughout history.** In the meantime, this is what I am reading.

Politics/Fed/Economy

- **The Imperial City's Fiscal Waterloo** by [David Stockman via Daily Reckoning](#)
- **GDP Growth Rates Continue To Fall** by [James Picerno via Capital Spectator](#)
- **Repeal & Replace Falls Flat On Its Face** by [Caroline Baum via MarketWatch](#)
- **Thoughts On Full Employment & The Asset Based Recovery** by [Edward Harrison via Credit Writedowns](#)

- **Rosenberg: Warning Signs Are Bubbling In The Economy** [by David Rosenberg via Gluskin-Sheff](#)
 - **Is The Economy Really Different This Time** [by Joe Calhoun via Alhambra Partners](#)
 - **4-Signs The Economy Is Stalling** [by Stephen McBride via Mauldin Economics](#)
 - **The False Premise Of GOP Tax Cuts** [by Editorial via New York Times](#)
 - **The Fed Has Hit The Pause Button** [by James Rickards via Daily Reckoning](#)
 - **Fed Does Brutal Take-Down Of Trump's Budget** [by Pedro Da Costa via BI](#)
 - **All Signs Point To Slowdown In Inflation** [by Lakshman Achuthan via Bloomberg](#)
 - **Occupational Hazards** [by Tyler Durden via ZeroHedge](#)
 - **The Quiet Demise Of Austerity** [by James McCormack via Project Syndicate](#)
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Podcast

Markets

- **The Smell Of Dry Paint In The Morning** [by Danielle DiMartino-Booth via Money Strong](#)
 - **Real Reason Stocks Are Hitting Records** [by Brian Maher via The Daily Reckoning](#)
 - **History & Gravity Aren't On The Side Of Stocks** [by Sue Chang via MarketWatch](#)
 - **Stock Picking Dying Due To Dearth Of Stocks** [by Jason Zweig via WSJ](#)
 - **Perfect Market Indicator Says Sell Now** [by Mark Kolakowski via Investopedia](#)
 - **10-Years Later Bull Market Shows No Signs Of Ending** [by Michael Santoli via CNBC](#)
 - **Forecasting Recessions Can Boost Returns** [by Simon Constable via US News](#)
 - **The Single Biggest Market Risk** [by Hedgeye](#)
 - **Bull Market Still Has Legs** [by Michael Kahn via Barron's](#)
 - **Market Is Believing The Fed For Now** [by Conrad de Aenlle via NT Times](#)
 - **One Reason Expensive Stocks Can Continue To Climb** [by Anora Mahmudova via MarketWatch](#)
 - **Stocks Will Top Out In 3-Weeks** [by Avi Gilburt via MarketWatch](#)
 - **Here's Why The Stock Market Isn't Overpriced** [by Bob Pisani via CNBC](#)
 - **Stock Market Bulls Are Wrong, It Will End Badly** [by Doug Kass via The Street](#)
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Research•/ Interesting•Reads

- **Did London Just Press The "Brexit" Panic Button** [by Wolf Richter via Wolf Street](#)
- **The Logic Of Patience (Investing)** [by Value Investor India](#)
- **Do You Need \$1 Million To Retire** [by Maurie Backman via Motley Fool](#)
- **A Chat With Peter Bernstein** [by Jason Zweig via Intelligent Investor](#)
- **We're Not Prepared For The Next Recession** [by Mark Thoma via Fiscal Times](#)
- **7-Habits To Help Your Kids Be Successful** [by Vanessa McGrady via Forbes](#)
- **50% Of American Homeowners Have Buyer's Remorse** [by Abigail Summerville via CNBC](#)
- **Economy Set To Break Two Records, Only One Is Good** [by Pedro Da Costa via BI](#)
- **Every Seven Years** [by Scott Galloway via L2 Daily](#)
- **A Fanatic Is Someone Who Won't Change Their Mind** [by Cliff Asness via AQR Capital Management](#)
- **5-Surprising Facts About "Made In America"** [by Irina Ivanova via MoneyWatch](#)
- **Tennis Legend "Boris Becker" Bankrupt** [by Tyler Durden via ZeroHedge](#)
- **Wrecking Ball** [by John Hussman via Hussman Funds](#)

- **Are Investors Too "Bulled" Up** [by Dana Lyons via Tumblr](#)
 - **Wear Your Twitter Trolls Like A Badge Of Honor** [by Jesse Felder via The Felder Report](#)
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•"?Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria." - Sir John Templeton

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