

# A Bull Market In Complacency

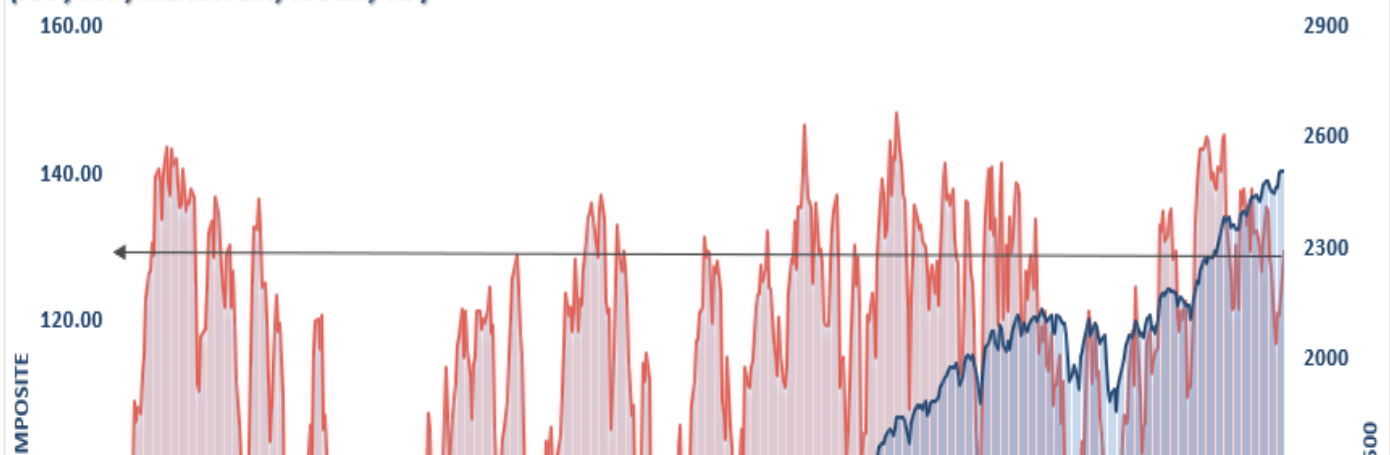
## *Weekend Reading:*

With the market recently breaking above 2500, there seems to be nothing to dampen the bullish exuberance. The recent run, which has largely been focused on areas in the market with the most sensitivity to tax cuts, has exploded over the last two weeks to record highs. That explosion has also lead to a surge in the Market Greed/Fear Gauge which comprises different measures of market complacency and bullishness.

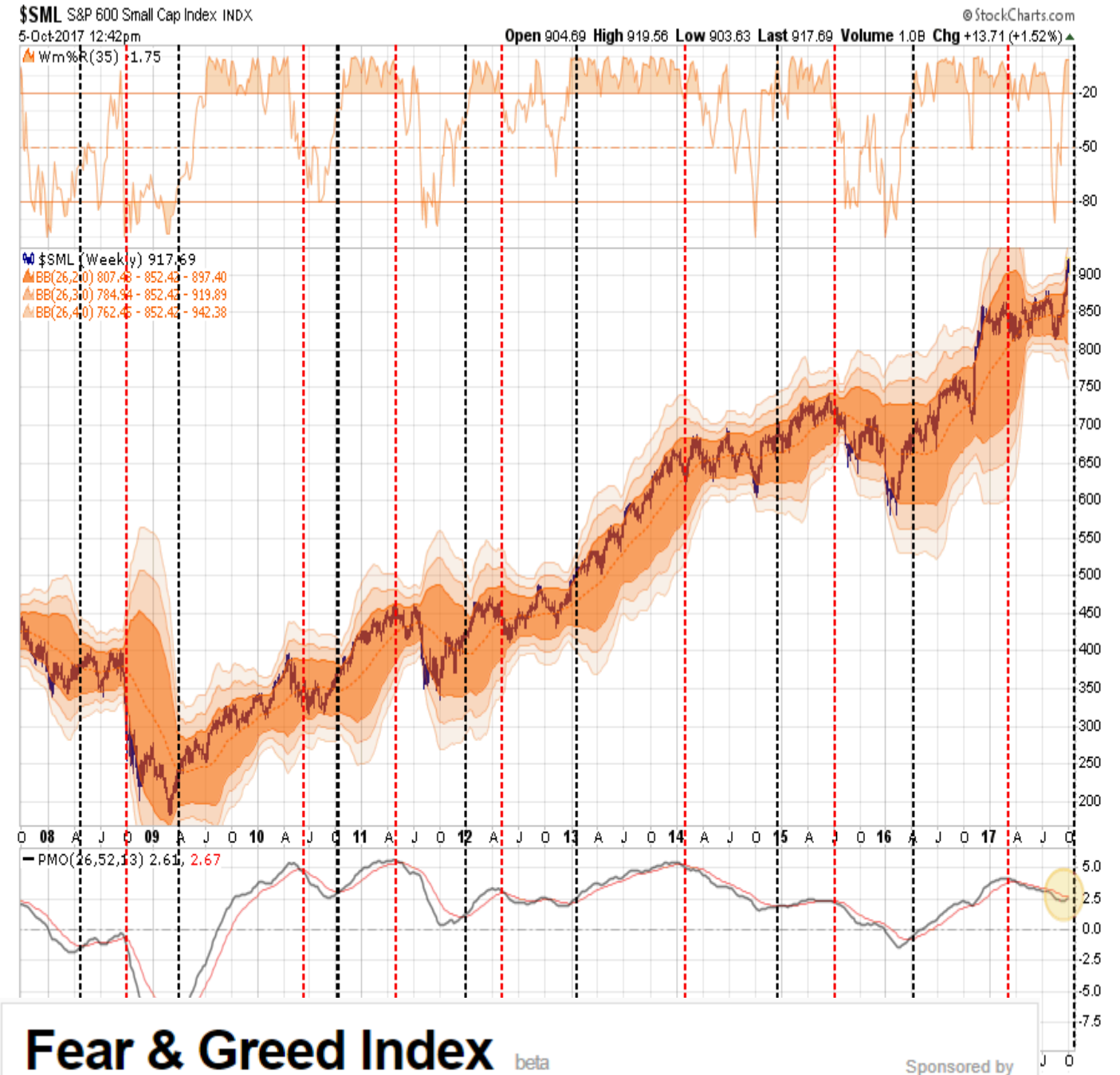
### MARKET GREED/FEAR GAUGE

(AAII, INVI, MarketVane, NAAIM, VIX)

 REAL INVESTMENT ADVICE



But the rush to chase performance can be clearly seen in the chart below of the S&P 600 index (small cap) which is now 4-standard deviations above the 6-month moving average.



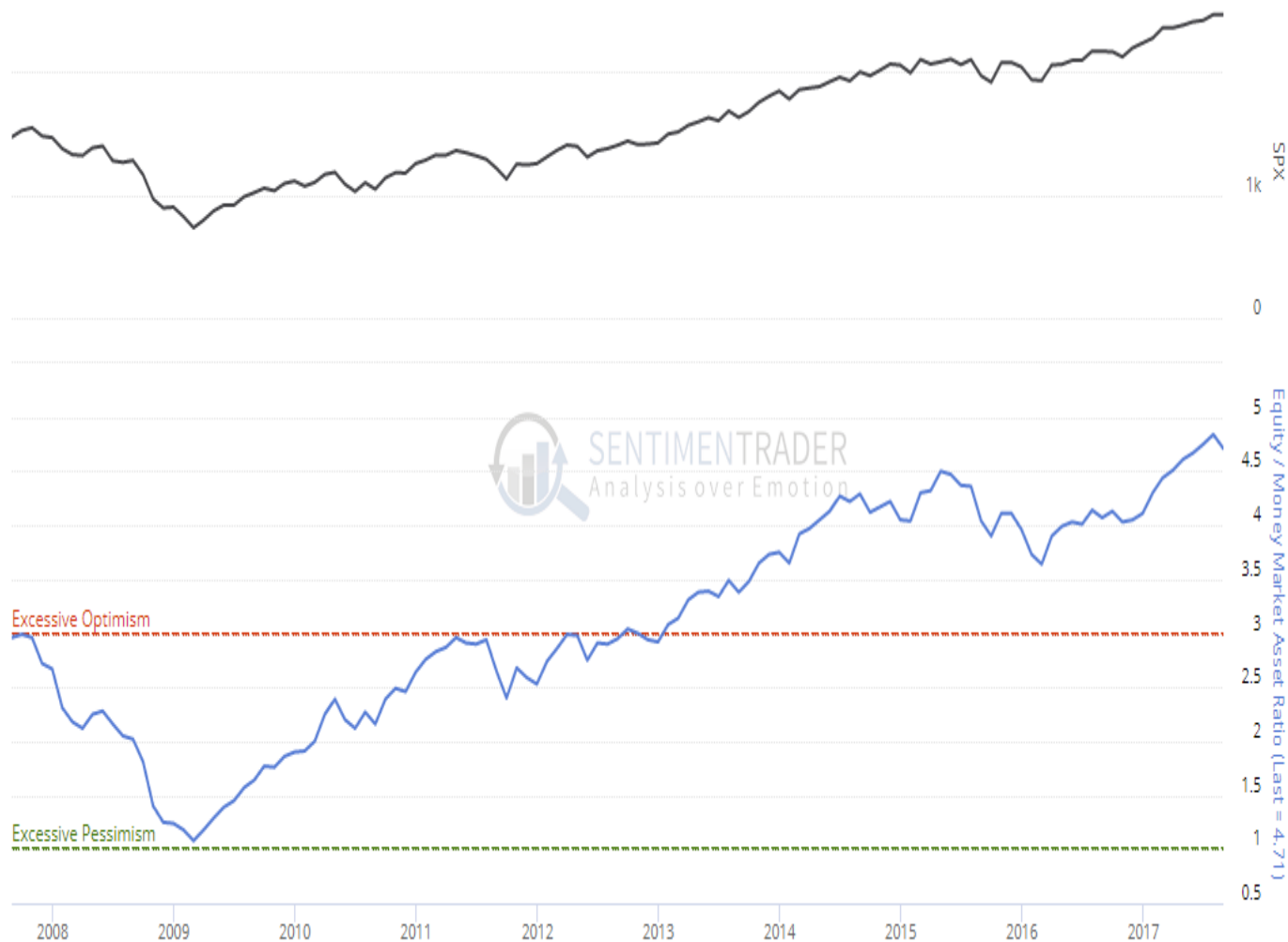
# Fear & Greed Index

What emotion is driving the market now?

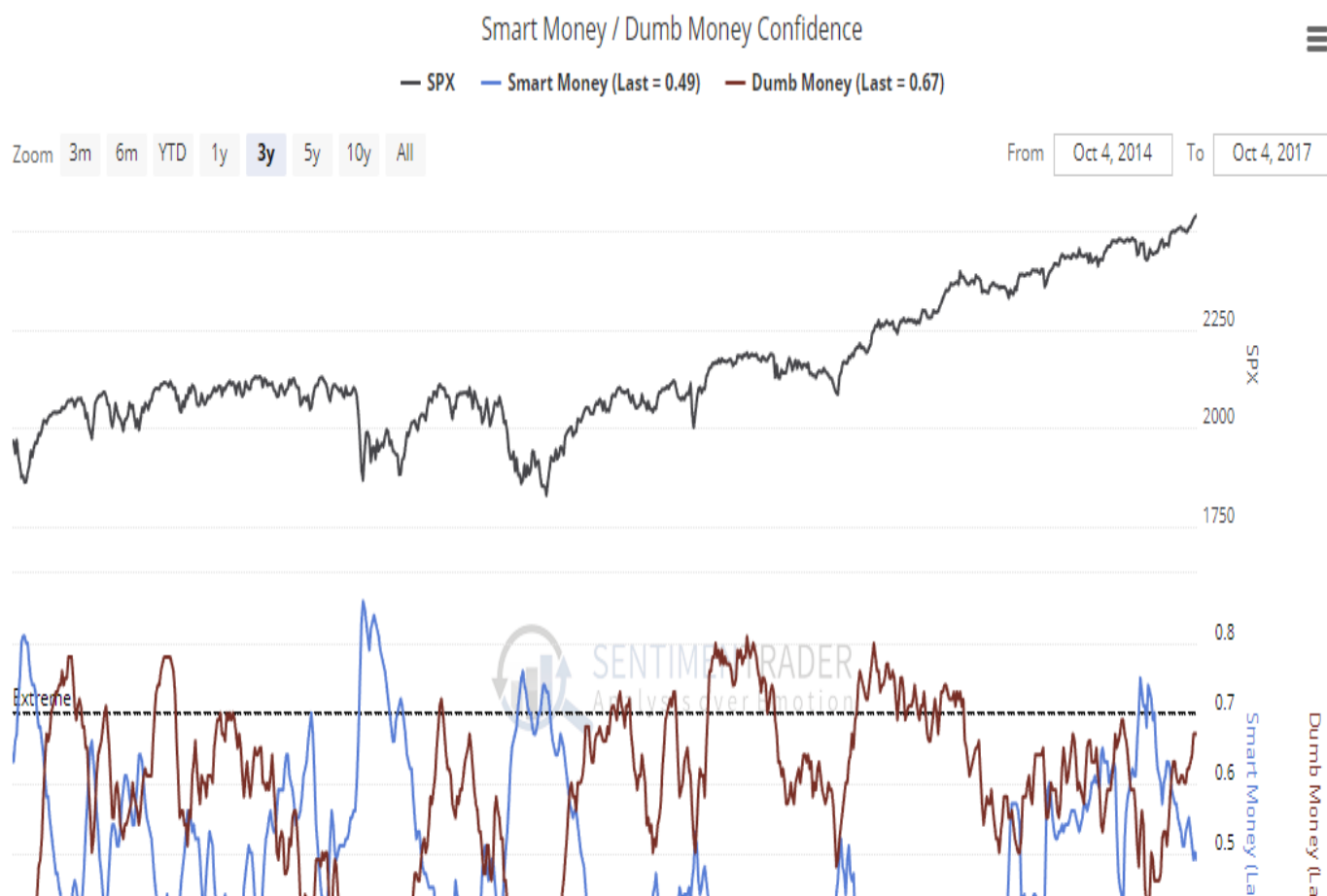


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course, not surprisingly, with investors as optimistic and bullish as they can be equity to money market ratios are at extremes.



And "*Dumb Money*" is continuing to pile into markets as "*Smart Money*" is willing to sell positions to them.



After 9-years of a bull market, and pushing a 270% gain from the lows, investors have now decided it is now time to get back into the market. But that is the nature of a bull market, and particularly one that has entered into the final stages of long-term cyclical advance, where the last of the "holdouts" are sucked back into the game. As we enter into earnings season, we once again enter into the ["beat the estimates game,"](#) where analysts act surprised that companies "beat" lowered estimates. In the short-term, these "beat rates" will provide support for the bullish case, but in the long-term, it is valuations and actual revenue growth that matters. I agree with [Doug's sentiment](#) yesterday:

- *Massive injections of liquidity from the world's central bankers*
- *Passive investing (quants and ETFs) are now dominating markets (at nearly 40%) at the margin*
- *Machines and algorithms, as well as many individual investors, are behaving differently as they are now programmed and conditioned to buy the dips.*
- *17% of the listed shares outstanding have been retired in corporate stock repurchases since the Generational Low in March, 2009.*
- *More than half of the listed companies on the exchanges have disappeared over the last eight years*

**"We have a Bull Market in Complacency."** -Doug Kass

Clearly. Here's your reading list to for the weekend.

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## Trump Tax Cuts...

- **We Elected You, You Owe Us** [by Caroline Baum via MarketWatch](#)
  - **An Analysis Of Trumps Tax Plan** [by The Tax Policy Center](#)
  - **GOP's Views On Tax Plan Is Propaganda** [by Bob Bryan via Business Insider](#)
  - **Bravo To The GOP For Their Tax Plan** [by Stephen Moore via The Washington Times](#)
  - **Trump's Tax Cuts Will Be Small In The End** [by Robert Samuelson via RCM](#)
  - **Link Between Tax Cuts & Growth Is Tenuous** [by Kate Davidson via WSJ](#)
  - **Trump's Tax Plan Promises Are All Wrong** [by Annie Lowrey via The Atlantic](#)
  - **Politicians Forget That Real People Pay Taxes** [by Ira Stoll via RCM](#)
  - **Tax Reform, The Time Has Come** [by Wayne Brough via The American Spectator](#)
  - **If The GOP Can't Pass Tax Cuts, It's Over** [by Adam Brandon via Washington Examiner](#)
  - **It Won't Pass - Buffett & Fink Blast Reform Plan** [by Tyler Durden via ZeroHedge](#)
  - **Exposing Democrat Lies On Tax Reform** [by Betsy McCaughey via NY Post](#)
  - **Trump Pushing Pass-Through Businesses** [by Pedro Da Costa via BI](#)
  - **Tax Cuts Will Widen Gap Between Rich & Poor** [by Eduardo Porter via NY Times](#)
  - **Detail On Who Pays What In Taxes** [via RIA](#)
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## Markets

- **Bear Market Closer With Each New High** [by Michael Sincere via MarketWatch](#)
- **The Holy Grail Of Investing** [by Alex Barrow via Macro Ops](#)
- **What If High Stock Value Revert?** [by Haghani & White via Bloomberg](#)
- **The Coming Bear Market?** [by Robert Shiller via Project Syndicate](#)
- **More Stocks Are Driving The Market** [by Alex Rosenberg via CNBC](#)
- **The Are No Bears Left...Not One** [by Kevin Muir via The Macro Tourist](#)
- **The Stock Market Impact Of Tax Reform** [by Bryan Borzykowski via Morningstar](#)

- **Transports Resurgence Bodes Well For Market**[by Michael Kahn via Barron's](#)
  - **Why Your Neighbors Stock Buying Is Bearish**[by Mark Hulbert via MarketWatch](#)
  - **US Shale Not As Strong As It Appears**[by Nick Cunningham via OilPrice.com](#)
  - **Could The QE Unwind Trigger A Liquidity Crisis**[by Lucy Burton via The Telegraph](#)
  - **Small Cap Rally Is Over Extended**[by Tyler Durden via ZeroHedge](#)
  - **Value Is Getting Hard To Come By**[by Vitaliy Katsenelson via RIA](#)
  - **Active Vs Passive Conflict**[by Doug Kass via RIA](#)
  - **Wall Street Fear Hits A Historic Low**[by Mark DeCambre via MarketWatch](#)
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## Research•/ Interesting•Reads

- **Lenders Continue To Loosen Standards...Big Time**[by Mark Hanson via MHanson.com](#)
  - **Your Investment Risk Isn't What You Think**[by WSJ](#)
  - **4-Fundamental Skills Of All Investing**[by Morgan Housel via Collaborative Fund](#)
  - **Skilled Managers Should Hold Fewer Stocks**[by Amy Whyte via Institutional Investor](#)
  - **Machine Learning For Investors**[by Druce Vertes via Alpha Architect](#)
  - **Active Managers Are Having A Great Year**[by Joe Ciolli via BI](#)
  - **How Dollar Weakness Affects Wall Street**[by Simon Constable via US News](#)
  - **This Is A Crisis Bigger Than Any Gov't Can Fix**[by John Mauldin via Mauldin Economics](#)
  - **JP Morgan: Here's What Can Cause The Next Crisis**[by Joe Ciolli via BI](#)
  - **What I've Learned In 14-Years Of Covering Retirement**[by Robert Powell via MarketWatch](#)
  - **Nobody Know What Will Happen**[by Geisinger & Dittli via Finanz Und Wirtschaft](#)
  - **Blissful Delusion**[by John Hussman via Hussman Funds](#)
  - **"Most Hated Rally" Getting Record Love**[by Dana Lyons via Tumblr](#)
  - **Stocks Aren't At All Fairly Priced To Rates**[by Jesse Felder via The Felder Report](#)
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***"In a bear market all stocks go down and in a bull market they go up." - Jesse Livermore***

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