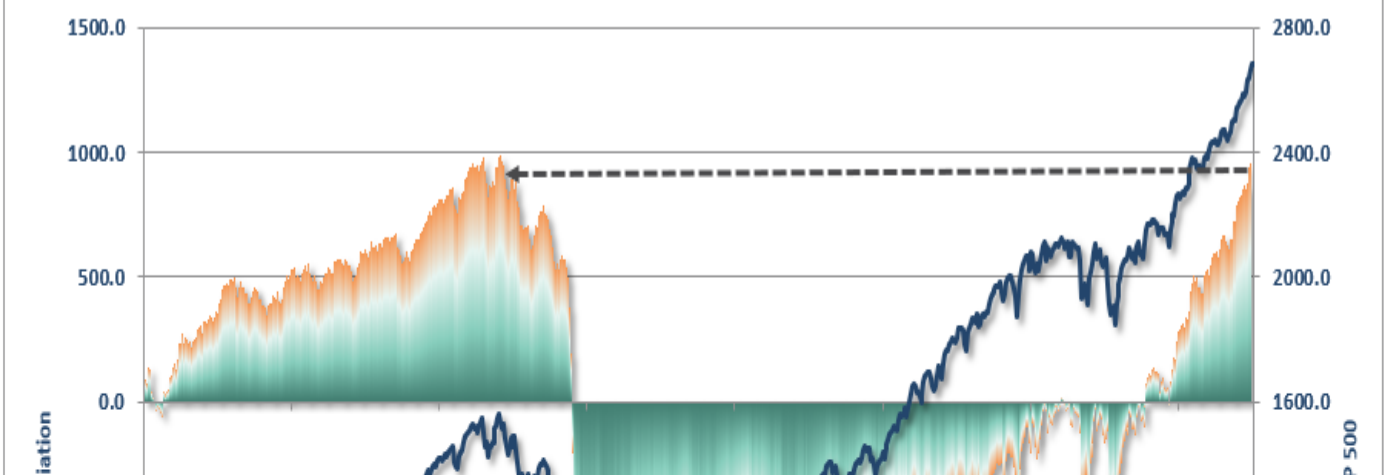




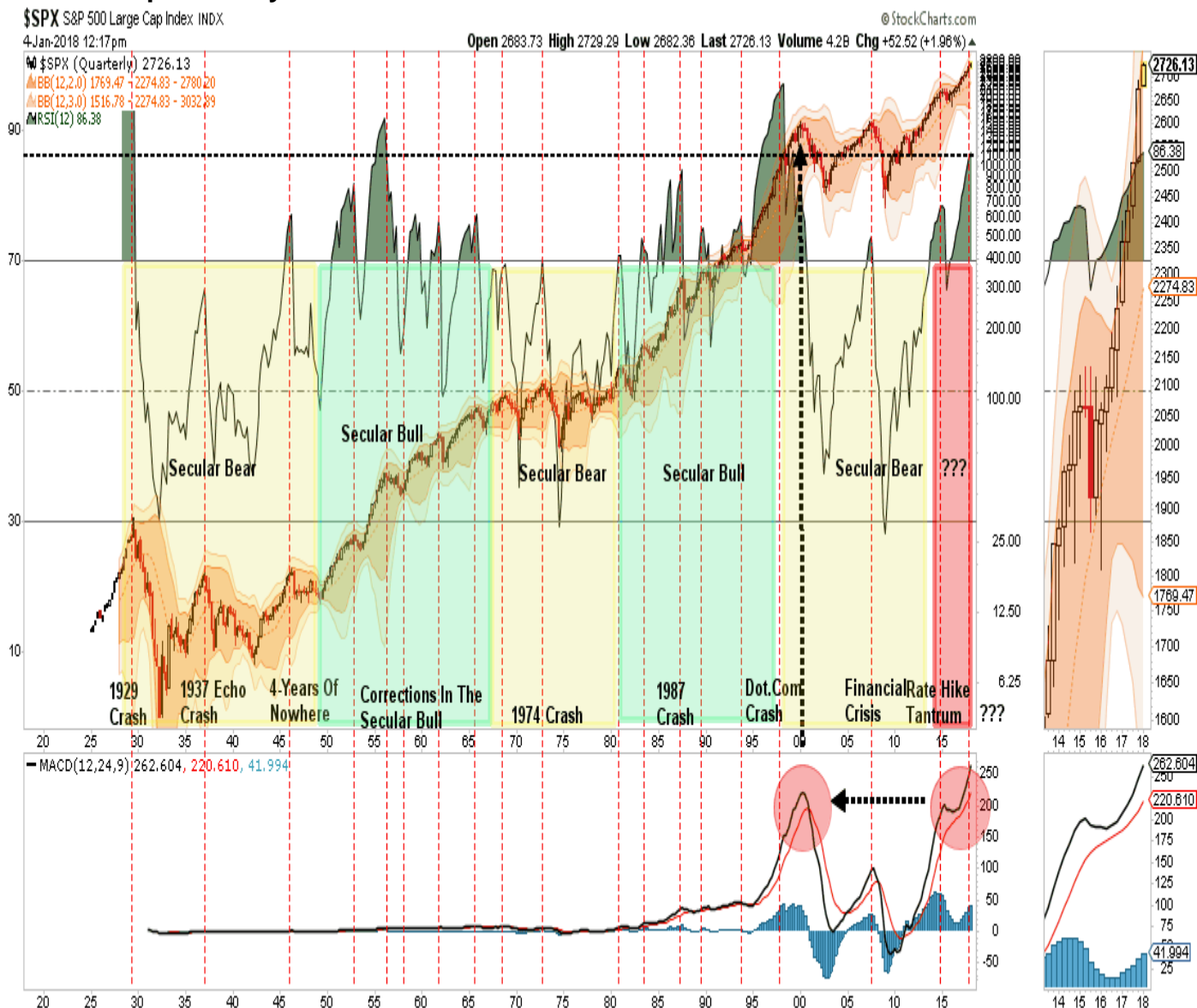
Yesterday, as I was researching the [data on the Fed's balance sheet](#) as it relates to the future direction of interest rates, I stumbled across an interesting piece of analysis. The chart below shows the deviation of the market from the underlying liquidity provided by the Fed's balance sheet.

Market Has Fully Absorbed Liquidity

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Not surprisingly, in 2006-2007 as the deviation reached extremes, market liquidity became problematic. While we only recognized this in hindsight, the correlation is important to consider. Currently, this "*Brawny Market*" has become the "*quicker picker-upper*" of market liquidity. The issue becomes, as discussed yesterday, with the Federal Reserve beginning to extract liquidity from the markets, along with the ECB tapering their QE program simultaneously, **at what point does liquidity once again become a problem?** For now, however, market exuberance has completely overtaken investor mentalities. Such is not surprising as we head into the 9th-year of the current bull market advance. **As shown in the chart below, the current market conditions, while bullish and positive which keeps portfolios allocated toward risk, are at levels seen only three-times previously.**



Such does not mean a "*crash*" is coming tomorrow, but it does suggest that this "*Brawny Market*" has much more limited upside than what most investors currently believe. Remain long equities for now. But don't forget that what goes up, will eventually come down. So it is worth paying attention to the risk and having a plan of action in place to do with the eventual reversion when it comes. Just something to think about as you catch up on your weekend reading list.

Economy & Fed

- **What Could Go Wrong In 2018** [by Caroline Baum via MarketWatch](#)
- **Wealth Gap Isn't Really A Crisis** [by Jay Owen via Foundation For Economic Freedom](#)

- **Investment Implications Of New Tax Law** [by John Lynch via LPL](#)
 - **Top 10 Charts Of 2017** [by Committee For A Responsible Federal Budget](#)
 - **A Synchronized Global Boom** [by Edward Harrison via Credit Writedowns](#)
 - **The Missing Ingredients Of Growth** [by Michael Spence via Project Syndicate](#)
 - **Abenomics After 5-Years** [by Scott Sumner via Econlog](#)
 - **Trump Tax Plan Undermines Parts Of Economy** [by Joseph Stiglitz via MarketWatch](#)
 - **Economist Think Inflation Will Rise In 2018** [by Mike "Mish" Shedlock via MishTalk.com](#)
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Markets

- **Morgan Stanley Sells All Junk Bonds & Warns Of Recession** [by Tyler Durden via ZeroHedge](#)
 - **Oil Prices Could Drop By 50%** [by James Rickards via Daily Reckoning](#)
 - **Market Is Set To Break A Historical Record** [by Joe Ciolli via BI](#)
 - **Price Always Reconnects** [by Sven Henrich via Northman Trader](#)
 - **Why An Inverted Yield Curve Signals Trouble** [by Simon Constable via US News](#)
 - **Risk Factors For 2018** [by Jessica Marmor Shaw via MarketWatch](#)
 - **How 2018 Could Improve On 2017** [by IBD](#)
 - **A Correction Creeps Closer** [by Michael Kahn via Barron's](#)
 - **A Near-Term "Melt-Up"** [by Jeremy Grantham via GMO](#)
 - **2017 Wasn't That Extraordinary** [by David Merkel via The Aleph Blog](#)
 - **Fed Only Thing In The Way Of The Bull Rally** [by Jeff Cox via CNBC](#)
 - **Survival Tactics For A Hypervalued Market** [by John Hussman via Hussman Funds](#)
 - **Investment Outlook For 2018** [by Michael Lebowitz via RIA](#)
 - **A World Without Risk? Not Really!** [by Doug Kass via RIA](#)
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<https://realinvestmentadvice.com/technically-speaking-revisiting-bob-farrells-10-rules/>

Cryptocurrency Mania

- **More Tail Winds For Cryptos** [by James Altucher via Daily Reckoning](#)
 - **The Force Behind Bitcoin's Meteoric Rise** [by Steven Russolillo via WSJ](#)
 - **Central Banks Move On Cryptos** [by Brian Maher via Daily Reckoning](#)
 - **The Global Crypto Market Hits Record High** [by Will Marting via BI](#)
 - **Merrill-Lynch Says "NO" To Crypto** [by RTT News](#)
 - **Anatomy Of A Crypto-Nightmare** [by Tyler Durden via ZeroHedge](#)
 - **SEC Warns Bitcoin Investors At Risk** [by Reuters](#)
 - **Everything You Need To Know About Crypto** [by Blockgeeks](#)
 - **Cryptocurrency Market Capitalizations** [by CoinMarketCap](#)
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Research•/ Interesting•Reads

- **Flattening Yield Curve Meets QE Unwind** [by Wolf Richter via Wolf Street](#)
- **10-Questions W/ Berkshires Todd Combs** [by FSU Alumni](#)

- **12-Signs A Cheap Stock Is A Value Trap** by [Nicholas Colas via Bloomberg](#)
- **How AI Will Invade Every Corner Of Wall Street** by [Nishant Kumar via Bloomberg](#)
- **Resulting Fallacy Is Ruining Your Decisions** by [Stuart Firestein via Nautilus Research](#)
- **The Battle In AI** by [The Economist](#)
- **Stock Pickers Mounting A Comeback** by [Joe Ciolli via BI](#)
- **18-Predictions To Watch Over Next 5-Years** by [Vikram Mansharamani via Linked-In](#)
- **34-Resolutions For A Better 2018** by [Jason Zweig via Intelligent Investor](#)
- **2017 Charts Of The Year** by [Dana Lyons via The Lyons Share](#)
- **Time To Get Real With Your Portfolio** by [Jesse Felder via The Felder Report](#)

?The trick of successful investors is to sell when they want to, not when they have to." - Seth Klarman

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