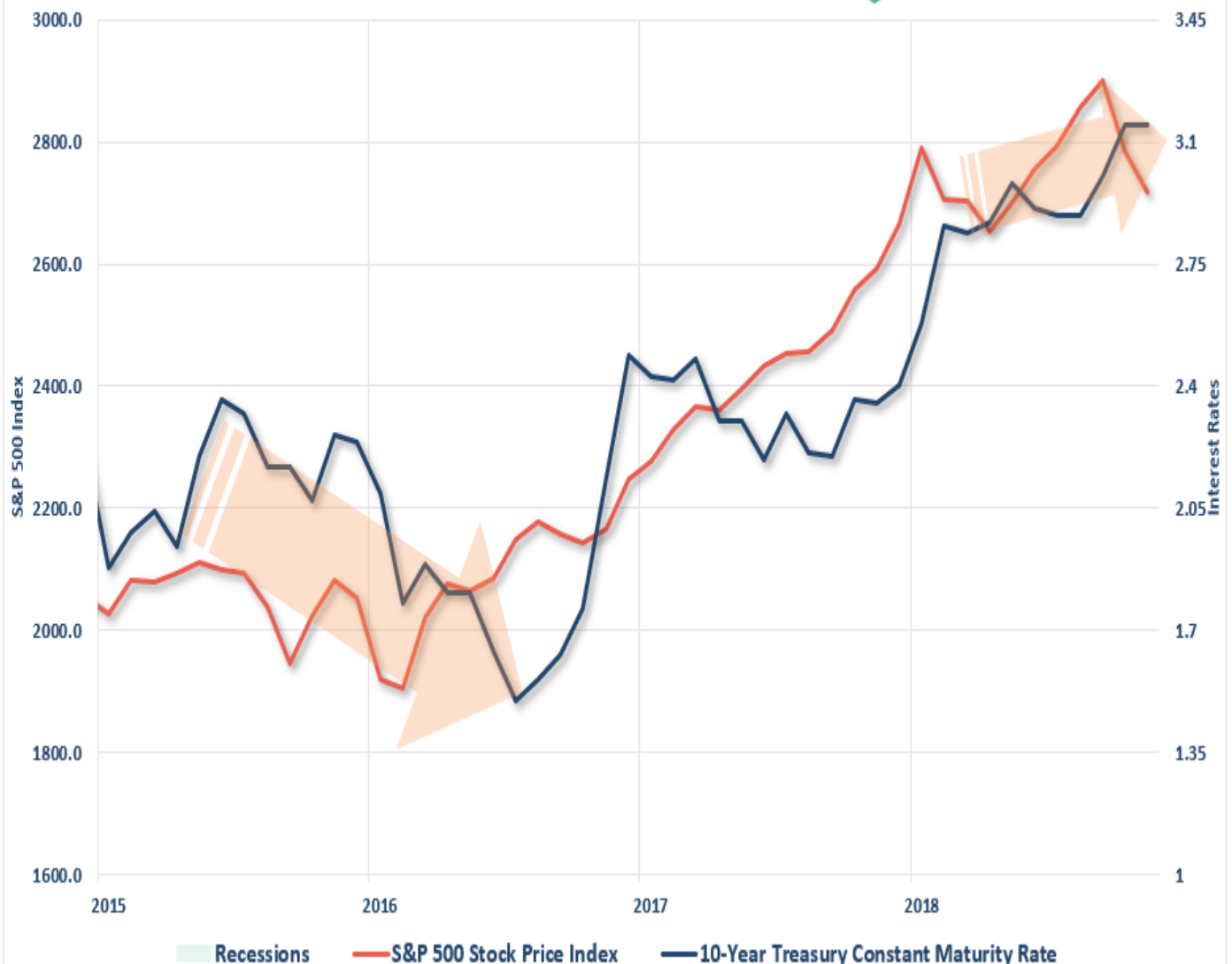


After two significant corrections during 2018, this has to be the beginning of a *"bear market,"* right? It certainly is possible given the headwinds that are starting to weigh on corporate outlooks such as ongoing trade wars, weaker revenue growth, a strong dollar, and higher interest rates. However, despite these concerns, there are three things which suggest the necessary psychological change for a more meaningful *"mean reverting"* event has yet to occur. **Interest Rates** During previous market declines, where *"fear"* was a prevalent factor among investors, money rotated from *"risk"* to *"safety"* which pushed Treasury bond prices higher and rates lower. Despite two fairly strong corrections in 2018, bonds have not attracted the *"flight to safety"* as investors remain complacent about the future prospects of the market.

Interest Rates Remain Elevated As Stock Prices Decline

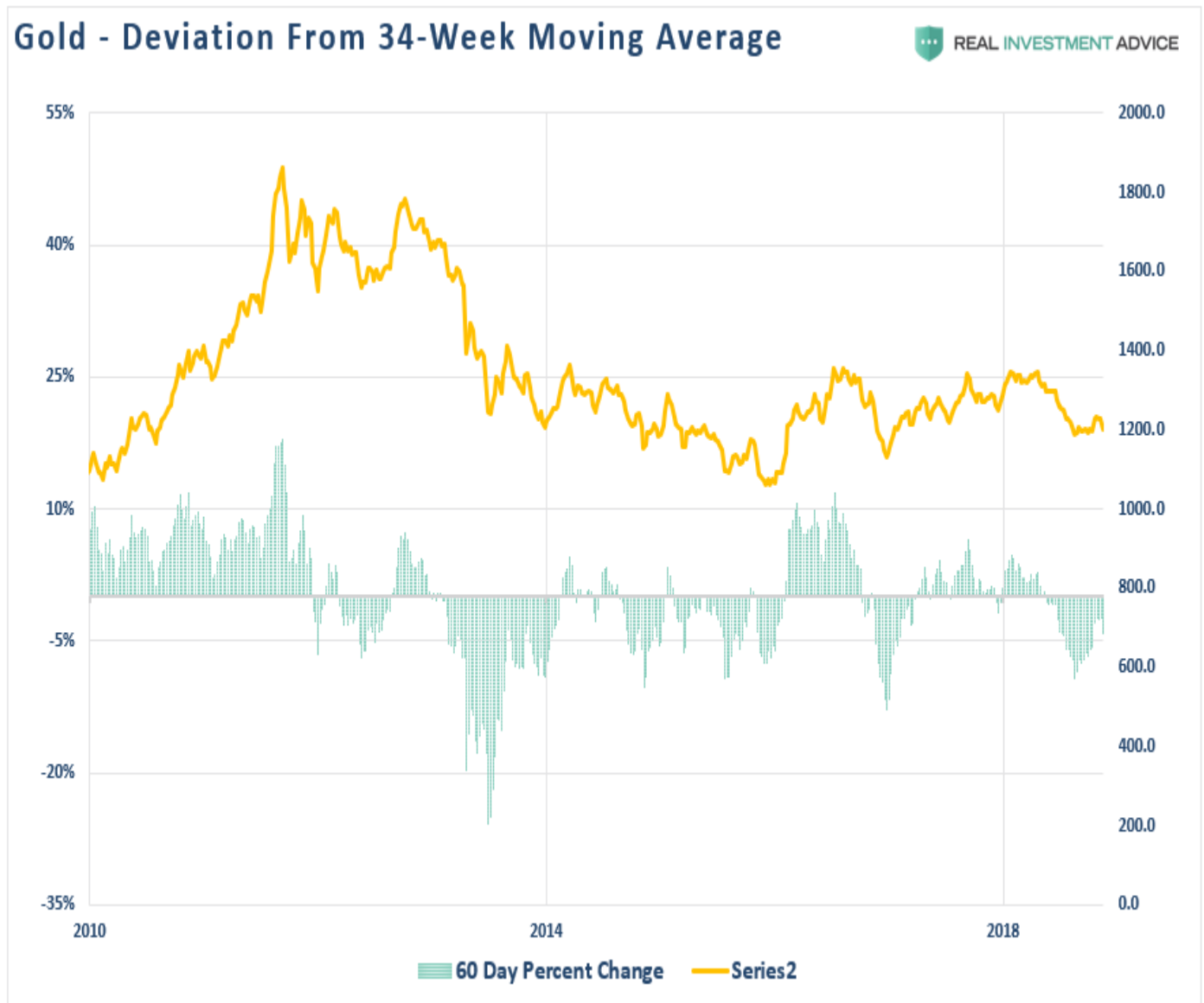


VIX A look at the Volatility Index (VIX) confirms the same as the bond market. Despite the two corrections, the VIX never spiked to levels consistent with *"fear"* that a correction was in process. Currently, the VIX remains below the average level of the index going back to 1995 and during the *"October massacre"* failed to even rise above the level seen in February of this year.

Despite Corrections Investors Remain Complacent



Gold Another "*fear trade*" which has failed to show any fear is that precious yellow metal. Again, despite two major corrections, gold has failed to find buyers in a "*safe haven*" trade. In fact, despite consistent calls that gold was needed to offset inflation, it has failed to find any support from investors who continue to chase market returns.



Here is the point - the pickup in volatility this year should have dislodged investors out of their "*passive investment slumber*." Yet, there is no anecdotal evidence that such has been the case. There are two possible outcomes from this current situation:

1. *The majority of investors are correct in assuming the two recent corrections are just that and the bull market will resume its bullish trajectory, or;*
2. *Investors have misread the corrections this year and have simply not yet lost enough capital to spark the flight to safety rotations.*

Historically speaking, the "*herd*" tends to be right in the middle of the advance at very wrong at the major turning points. There is mounting evidence that we may indeed be at the beginning of one of those turning points in the market. If that is the case, investors are likely going to find themselves once again on the wrong side of history. The "*real*" bear market hasn't started yet. When it does we will likely see traditional "*safe haven*" investments telling us so. **It will be worth watching gold and rates for clues as to when the masses begin to realize that "*this time is indeed different*."** Just something to think about as you catch up on your weekend reading list.

Economy & Fed

- **Dem's Won - Now They Must Deliver** [by Jonathon Trugman via NY Post](#)
 - **Washing Machines, Dishwashers More Expensive From Tariffs** [by Jeffry Bartash via MarketWatch](#)
 - **The Dog That Isn't Barking** [by Joe Calhoun via MyPersonalCFO](#)
 - **Maxine Waters Set To Take On Wall Street** [by Stephen Moore via Washington Times](#)
 - **PG&E Says Equipment Failed Sparking Wildfires** [by Maria Armental via MarketWatch](#)
 - **A Surge In Corporate Debt Is A Vulnerability To The Economy** [by Pedro de Costa via Forbes](#)
 - **McConnell Calls For Bipartisanship Is Hypocritical** [by Victor Reklaitis via MarketWatch](#)
 - **Trump's Tax Cut Was Supposed To Change Behavior** [by Jim Tankersley via NYT](#)
 - **Peak Fiscal IN-Discipline** [by Scott Sumner via The Money Illusion](#)
 - **What To Expect From Washington's "Big 3"** [by Paul Brandus via MarketWatch](#)
 - **We Need To Deal With China, Not Tariffs** [by Thomas L. Friedman](#)
 - **Japan's Economy Has A \$5 Trillion Problem** [by Daniel Shane via CNN](#)
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Markets

- **Albert Edwards: Time Has Run Out** [by Tyler Durden via Zorohedge](#)
 - **BofA: The Big Low For Stocks Hasn't Come Yet** [by Mark Hulbert via MarketWatch](#)
 - **Here's What's Really Troubling The Market** [by John Stepek via MoneyWeek](#)
 - **Who Are The Next Relative Strength Leaders** [by Dana Lyons via The Lyons Share](#)
 - **Let Your Winners Run, Dump Your Losers** [by Jeff Reeves via MarketWatch](#)
 - **Wrong Way Bet On Asset That Surged 20% Last Week** [by Mark DeCambre via MarketWatch](#)
 - **Mr. Market's Biggest Headwind** [by Macromon via Global Macro Monitor](#)
 - **Here's Is Wall Street's "Worry List"** [by Jeff Sommer via NYT](#)
 - **5-Reasons Oil Prices Are In A Tailspin** [by Myra P. Saefong via MarketWatch](#)
 - **The Last Nail Is In The "Bulls" Coffin** [by John Mauldin via Mauldin Economics](#)
 - **This Year Has Been A Trainwreck In Too Many Places** [by Jeffrey Snider via Alhambra Partners](#)
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Most Read On RIA

- **Oil Prices Confirm Global Reflation Is Over** [by Lance Roberts](#)
 - **Is It Time To Buy The Homebuilding Sector?** [by Michael Lebowitz](#)
 - **Who Is Swimming Naked** [by Doug Kass](#)
 - **Markets Are All Flashing Warning Signs** [by Lance Roberts](#)
 - **These Are The Headlines You See In A Bubble** [by Jesse Colombo](#)
 - **The Economic Consequences Of Debt** [by Lance Roberts](#)
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Watch

- Interview with Mike "Mish" Shedlock
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Research•/ Interesting•Reads

- What Happens To Buybacks In A Recession [by Nick Colas via Zero Hedge](#)
 - **What Will The Next Financial Crisis Look Like** [by Daniel LaCalle via The Epoch Times](#)
 - Why Are Young People Having So Little Sex? [by Kate Julian via The Atlantic](#)
 - Be Afraid Of Economic "Bigness" [by Tim Wu via NYT](#)
 - **Is The Recent Slowdown In "CapEx" A Cause For Concern** [by Brett Ryan via Deutsche Bank](#)
 - Everything You Know About The "G.R." Is Wrong [by Steve Goldstein via MarketWatch](#)
 - The Madame Bovary Effect [by Ben Hunt via Epsilon Theory](#)
 - Alex Trebek: On Retirement, Legacy & Knowledge [by David Marchese via Vulture](#)
 - Doing What's Right For Retirement, Not Always Popular [by Peter Dunn via USA Today](#)
 - 1 Million Americans Live In R.V.s [by Heather Long via Washington Post](#)
 - There Ain't No Such Thing As A "Free Lunch" [by Jeffrey Carter via Points & Figures](#)
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?Treat their incessant optimism, in the future, with skepticism. Watch what they do not what they say."•Doug Kass

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