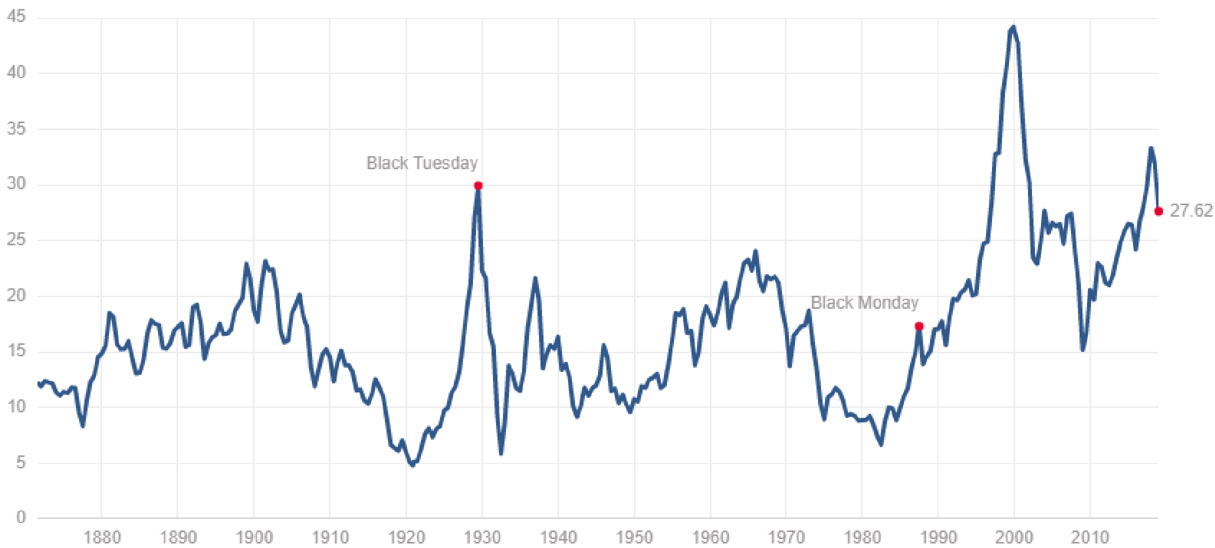
After the market plunge of the past three months, mainstream investors are welcoming any and all market bounces with open arms as they wonder "is this the start of the next uptrend?" **Unfortunately, my analysis shows that the post-Christmas market rebound is much likelier to be a "dead-cat bounce" rather than a sustainable uptrend.**

Two weeks ago, the S&P 500 broke below the key 2,550 to 2,600 support zone that I had been watching for several months, which is a major technical breakdown. **The latest bounce is simply a re-test of the 2,550 to 2,600 zone, which is now an overhead resistance.** If the S&P 500 is unable to close convincingly above this zone, another bearish move (back to the Christmas Eve lows or lower) is likely to occur. If the S&P 500 can close back above that 2,550 to 2,600 resistance zone in a convincing manner, however, it would negate the most recent breakdown.


The longer-term chart puts the recent breakdown into perspective better. The recent break below the 2,550 to 2,600 zone occurred after another notable breakdown below the uptrend line that started in early-2016.
The next major support level and price target to watch in the S&P 500 is the 2,100 to 2,200 zone (the 2015 and 2016 highs).


Though so many investors are still singing the naive "it always goes back up!" tune, numerous valuation measures show that the U.S. stock market is still quite overvalued. The chart below of the Shiller PE ratio (cyclically-adjusted PE ratio) shows that the U.S. stock market's valuation is still in rarefied territory. **It's going to take much more than the decline since early-October to unwind this bubble - make no mistake about that.**




*Source: Multpl.com*

Please watch my presentation about the U.S. stock market bubble to learn more:

https://www.youtube.com/watch?v=Gubf0A5pHL0

**Right now, the market is in a confirmed downtrend and it makes no sense to try to call the bottom.** The best approach right now is to respect the downtrend as it works off the excesses of the Fed-driven bubble of the past decade. We're still in the early stages of that process.

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