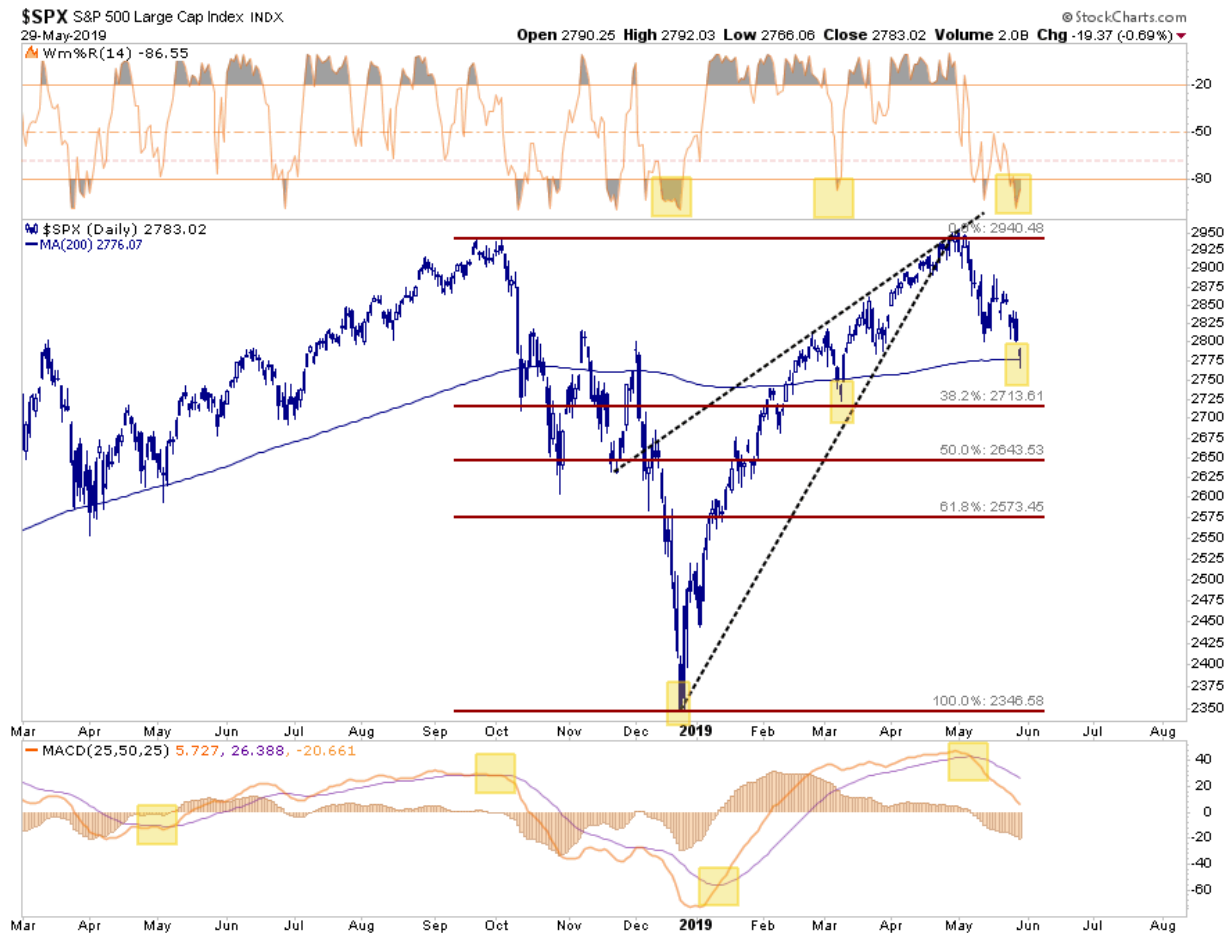


This past week has been "*death by a thousand*" cuts for the market. There was **not** a single "*event*" day that turned the tide for the market from bullish to bearish and gave a clear signal to jump ship. Rather, it was a slow bloodletting over the last couple of weeks that culminated yesterday with the test of the 200-dma.

The chart below shows several things.



We previously discussed the very tight trading range the market was in from the December 24th lows and warned that a break to the downside would likely result in a retracement to support. That retracement has now occurred and with sell-signals in place (*bottom panel*) the bears are currently in control.

The good news is that yesterday, the 200-dma did hold, the market is short-term oversold, and a bounce is very likely back toward 2800. That level will likely be a good level to raise cash and rebalance portfolio risk.

Corrections do not occur in a straight line downward. So, use reflexive rallies that fail to move above important resistance levels as opportunities to clear positions. We will be utilizing any such opportunity to clean up some lagging positions, rebalance risk, and take on hedges as needed for the time being.

As shown in the next chart, this recent "bull run" has now ended (yellow highlights). The short-term "bearish" trend is likely to last a few weeks to a couple of months which would correspond with traditional summer weakness.



As I wrote in our [weekly newsletter](#) at the beginning of May when we recommended taking profits.

***?From a portfolio management standpoint, the reality is that markets are very extended currently and a decline over the next couple of months is highly likely.***

*While it is quite likely the year will end on a positive, particularly after last year's loss, taking some profits now, rebalancing risks, and using the coming correction to add exposure as needed will yield a better result than chasing markets now.?*

As stated, we are now looking for a rally to sell into as we await the next decent buying opportunity.