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World Cyclical Trends
What's next?

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Where to start explaining what can we study to make sense out of this rally? To be honest bears have suffered a severe beat down courtesy of the bulls, but, by bulls do we really mean investors who think that everything bad is now behind and the optimism has a reason to be? Not quite… and let us explain why.

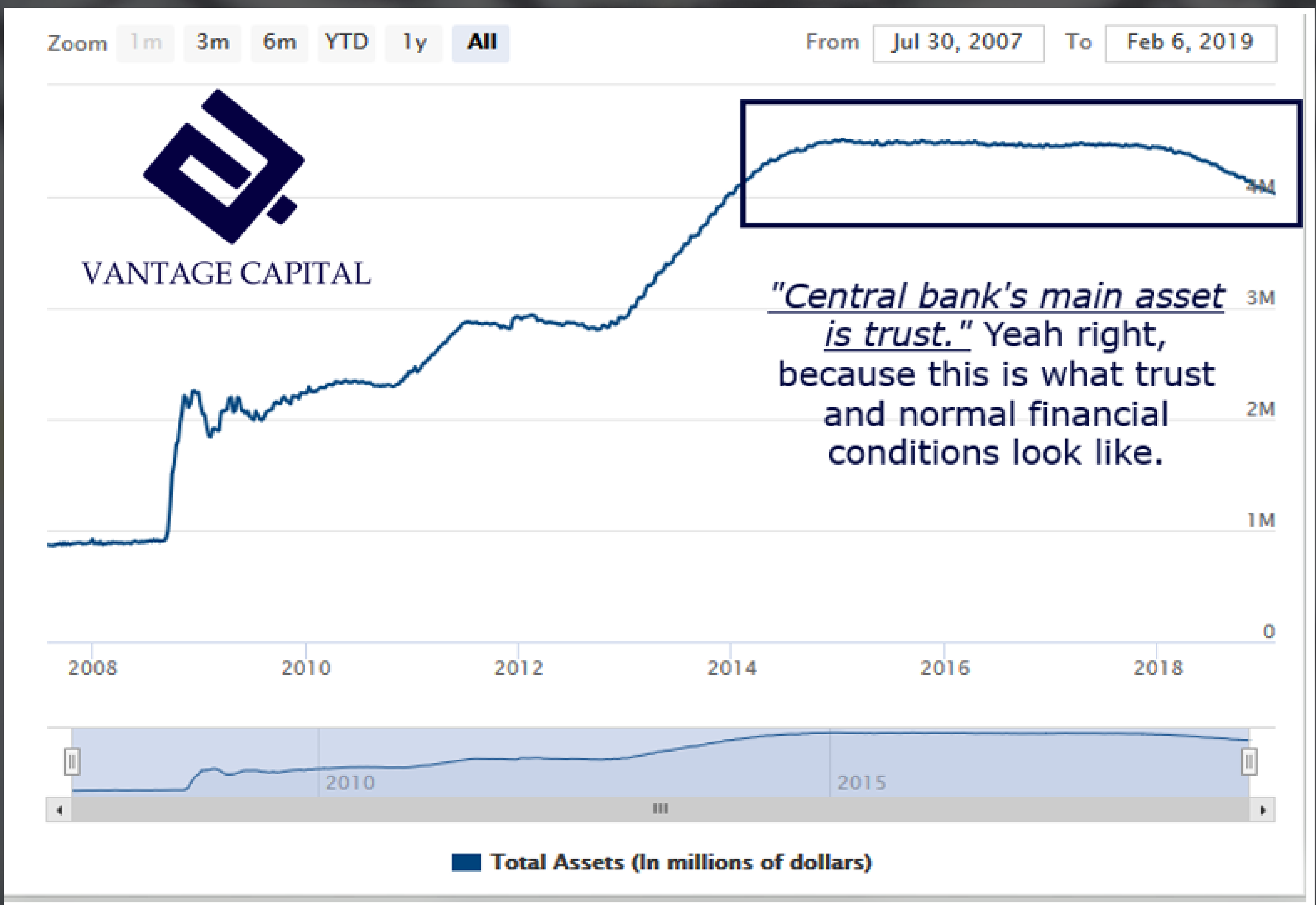
Our subscribers know that as Elliot Wave believers we always support the idea that the fundamental information is not what makes markets move, (in some cases it can produce volatility but the movement has been forecasted) but rather the stock market and its prices are a reflection of fundamental information, and here is why that is important.

Lately we've seen that the fundamentals are beyond meaningless, they are bullshit, the world is in a credit-high mode and the obvious becomes irrelevant but here, our goal is to highlight the reasons why fundamentals right now are lining up so well with an Elliot and socionomic perspective.

First of all as Peter Atwater says in his book, Mood's and Markets, the financial markets are just a reflection of the current state of the economy only extremely rare events known as Black Swans can really move prices, other events are generally priced in like Brexit for example. Taking this into consideration we only have to ask ourselves, is all the fundamental data priced in already by investor or are we about to see one of the most dramatic turns in the stock markets.

Well, we believe is the second and here is why. People and companies are drunk on credit, and given the inability of the FED to continue the balance sheet reduction and their bullshit speech about everything going being back to "normal".

<u>Seriously, see this chart, does everything looks normal to you?</u>

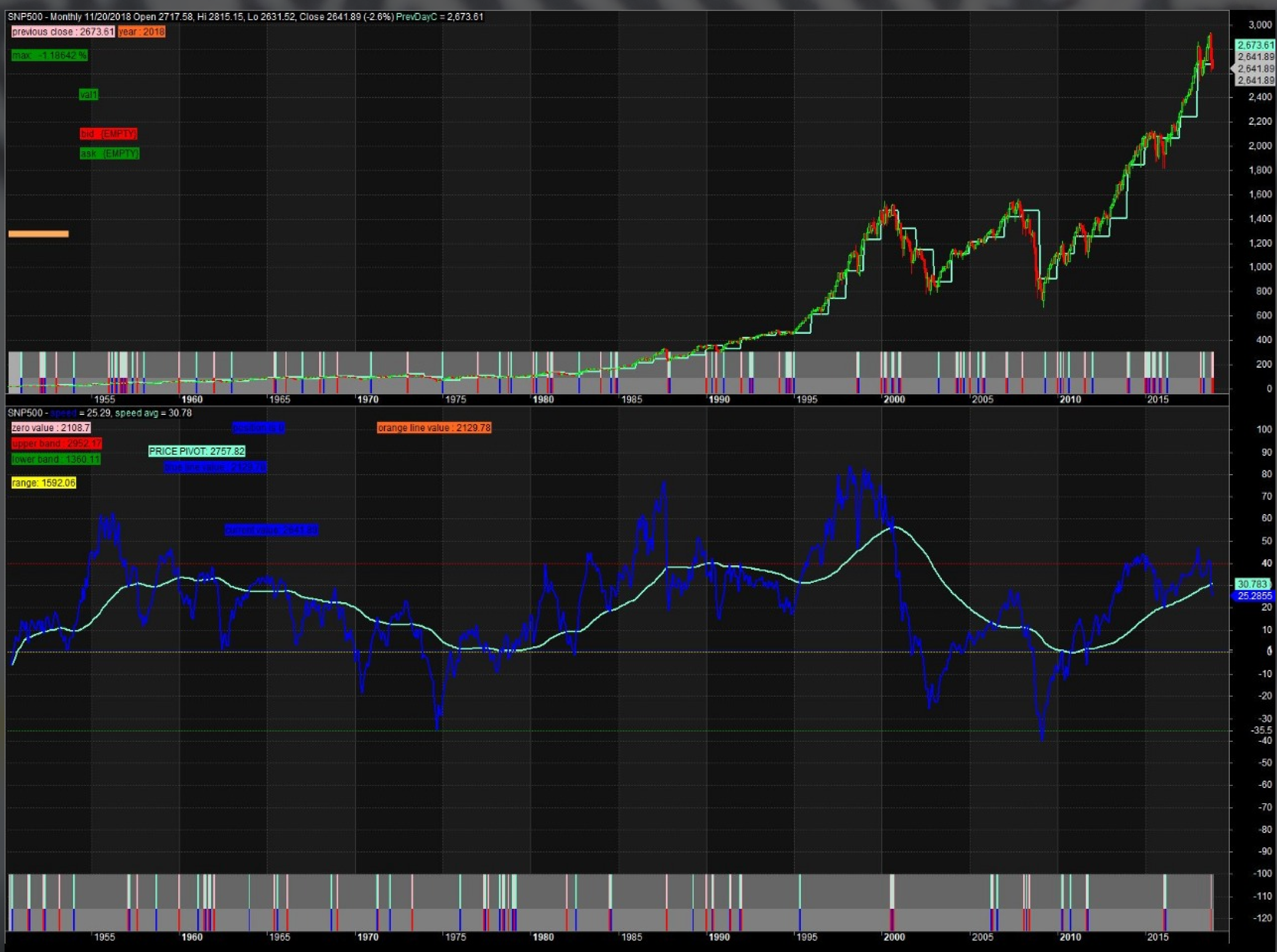


Source: https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm

So...

You know the Elliot Wave analysis, we’ve been working it with the development of the price moves. Following are a few charts showing the scenario and what is really happening besides all the optimism you can find from the retail investor to the mainstream media.

The first chart comes from a dear friend in India who works with the same objective and under the same principles through which we use Elliot Waves analysis, we look at charts (among other things of course) he looks at cycles.



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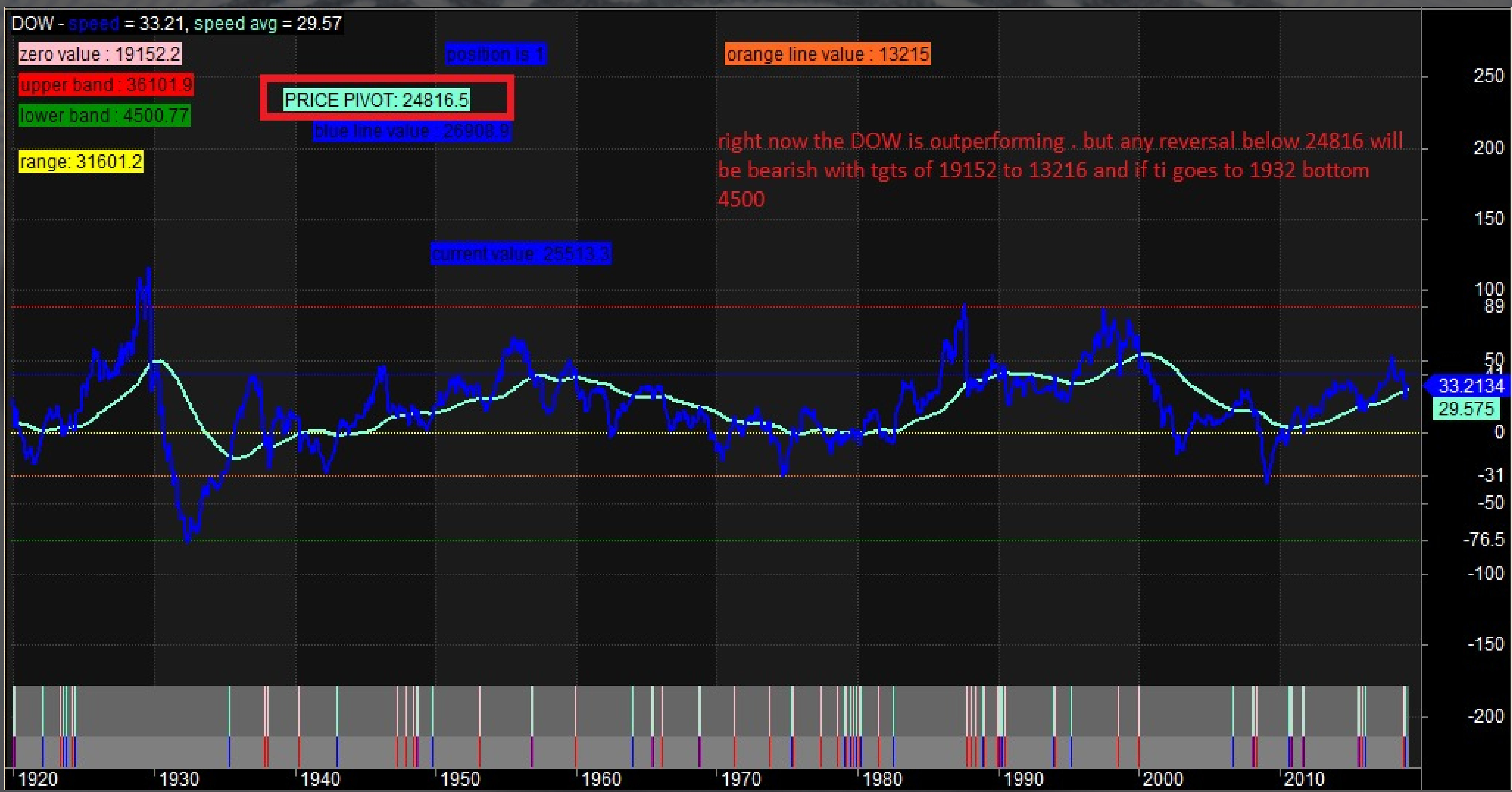
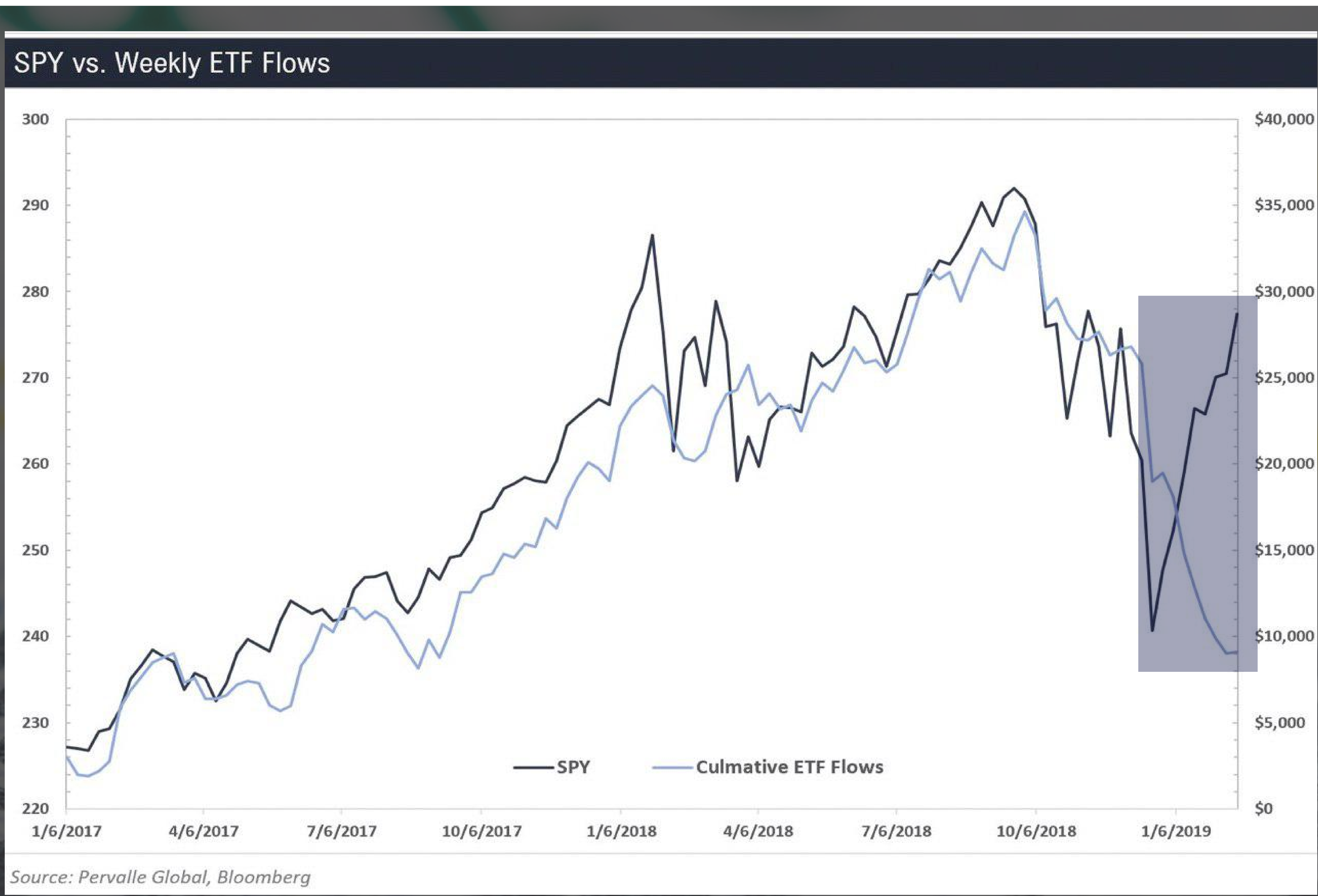
In this study, the top chart is a normal representation of #snp500 and the bottom one is the model he designed which tells us how high and low the index can go to sum it up what he sees is that #snp500 needs to stay below the 2,820 to remain as a valid model, this level is similar to our view of the 2,800 and 2,811 resistance. If the 2,820 level holds, the first bearish target would be 2,152 and then 1,377. He believes that the key is in the Yen pairs, specifically the USDJPY, this pair below 110 would be a confirmation of the view in #snp500.

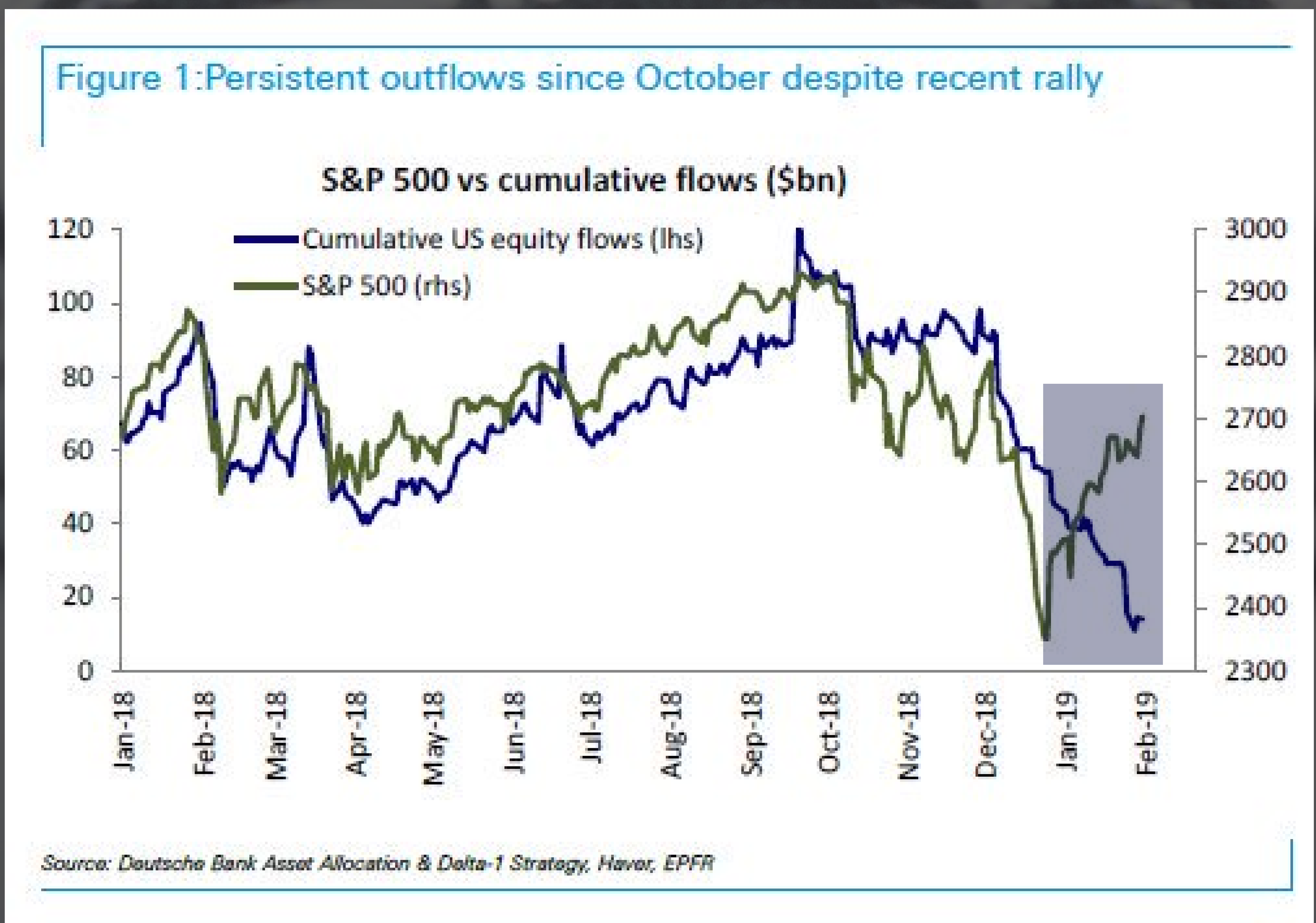
Here is the one for the Dow Jones,



Now, the following charts have some really interesting and dangerous warnings, before we explain any further, take a look at them and think carefully on what it is that you are seeing.



Source: Pervalle Global, Bloomberg.



Source: Deutsche Bank Asset Allocation & Delta-1 Strategy, Haver, EPFR.

That’s right! It is scary and could be warning something really bad for the bulls. This chart from Bloomberg shows the #SPY vs #ETF flows in a weekly time frame and what we can see is that this rally has practically not seen money flow poured into the ETF which leads us to think that companies are the only ones buying stocks again because of so much easy free money, the thing is that money, eventually runs out or don’t be surprised that someone would love to regulate this, in fact Sen. Marco Rubio has mentioned it as you can see.

Marco Rubio
@marcorubio

The justification for corporate buybacks is company has no better investment available. This may be true for any company from time to time. But what does it say when it is true for many companies year after year?

Marco Rubio
@marcorubio

The argument buybacks are good because frees up $ to reinvest in other businesses growth isn't backed up by the facts.

Over last 40 years money back to shareholders has tripled as a % of our GDP, but investment into business dropped by 20%.

Source: https://twitter.com/marcorubio/status/1095720592672784386?s=12

And last but no least the excessive optimism from the president to the media is a warning that maybe things are not as well as they say they are.

Donald J. Trump
@realDonaldTrump

Had the opposition party (no, not the Media) won the election, the Stock Market would be down at least 10,000 points by now. We are heading up, up, up!

Translate Tweet

6:30am · 19 Feb 2019 · Twitter for iPhone

10,967 Replies 12,716 Retweets 61,168 Likes

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