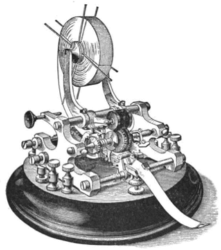


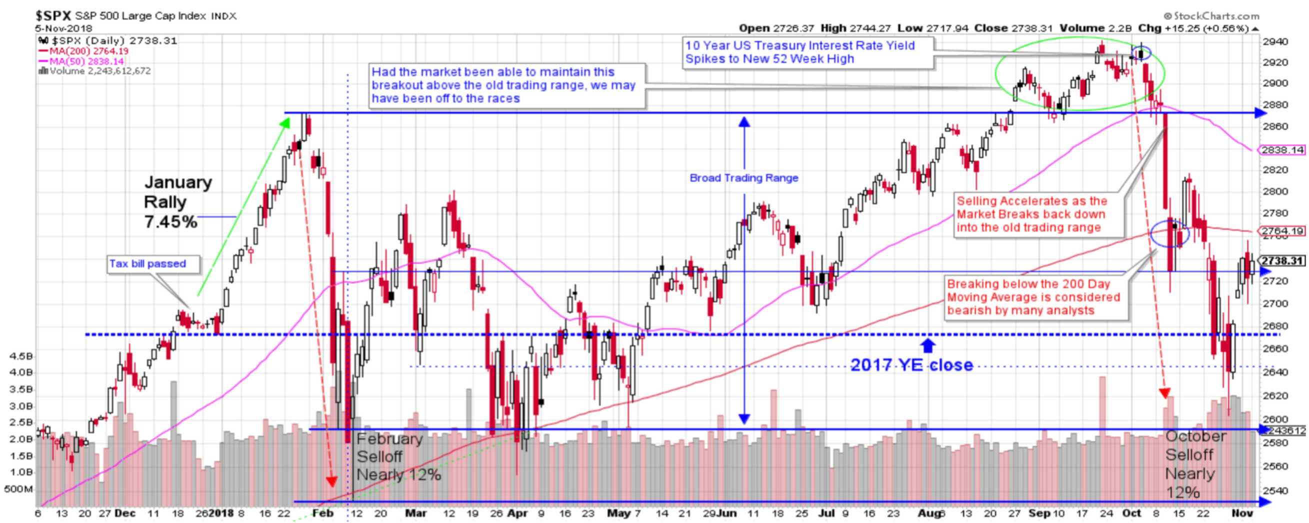
THE TAPE READER

Written by John I. (Jay) Mayer

November 6, 2018

Sideways Market Action – Again?

The recent selling is very similar to the February decline in the ferocity and in the percentage decline. The reasons cited for the selloff include a Federal Reserve which maybe going "loco" with their interest rate hikes, and the continued trade skirmish with China. Looking at the chart below, we see a market which is only up about 2% this year. In spite of widespread reports of wage increases and a robust economy, the recent investment environment doesn't feel like an economy or a market that is up on a sugar high. It seems more like someone watered down the Kool-Aid – a lot.



Why did this happen? The market was prime for a selloff following the steady advance since June. Everyone was quite content with the new market highs in late September. Then interest rates quickly spiked to new 52-week highs on October 3rd. The market began the selloff which accelerated dramatically when the market fell back into the old trading range. A new broad sideways trading range is likely developing as the market recovers from the selloff. The pullback gives the market a resting opportunity. The big money market participants who were selling in early October are likely utilizing these lower market levels to buy back their positions at these much more attractive prices.

Given the current backdrop, I remain constructive on the market. If the economy is as strong as is being reported, a move back to the old highs may be in offing in the next 6 months. As always, we will respect what the sellers are telling us.

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