



The Mirror Effect

It's my job to call this equity market as I see it and it still sets up as a mirror image of last year's finale to me. Last Thanksgiving the S&P was dangling at a 2630 low with no bid in sight. S&P Bullish Sentiment was at 8%. The VIX never went south of 15 with a peak above 35 in the last quarter of the year. Shorts in single stocks were piling up and the S&P was a VERY tempting buy to fade the pervasive bearishness. The market had another leg down in it and we all knew it. Then she failed the moving averages on the upside at 2750 and took a 400 point nose dive into Christmas eve.

In science, every action has an equal and opposite reaction. In markets, it's happened before and I can see it happening again. I've had the Russell2K and Transports on my list of sectors that just can't participate in the breakout. If that changes, we could hit escape velocity.

Here we are with the S&P at the highs, sentiment raging in the 90's, the VIX short position piled up to the sky, DeMark 13's on [PICK A CHART] and newsletter authors like me are still looking up. We're mindful of the warnings but fairly resigned to this S&P explosion landing north of 3200. With that game plan in mind, I still like scaling out of obnoxious trading length into the pending December flurry between 3150 and 3200, just to be safe and have money for Christmas shopping.



At this point if there is a headline, or a tweet that causes a crowded run for the exits, I believe the buyers will be lined up 11 people deep above the old highs at 3030 to re-enter the trend they have been missing out on. This game is still about performance and there is as much FOMO as there are some astronomical YTD performance numbers up on the board. The path of least resistance, is up.



Take a look at yesterday's equity rotation. We lucked out with a 2-sigma, 2.5% extension rally in biotech (IBB, View Matrix Long.) Ok fine, we are trading the breakout well in biotech so far, but exit is everything. Semiconductors and oil services followed with gains over 2%. Those are two of the best and worst performing sectors YTD, which is interesting.

The outlier was this attempt by the Russell2k (IWM) to break a one-year consolidation to the upside with a 2.1% stretch higher. If you are ever going to read a *Morning Navigator* that is



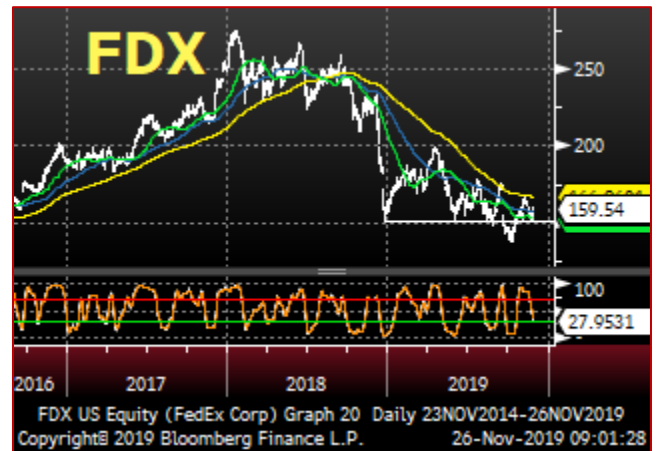
expecting an equal and opposite reaction in the stock market – it is going to be today’s issue where I tell you that if IWM puts a string of settlements above \$160 together that it could put in a 25 point run to the upside as a simple equal and opposite reaction to last year. Securities that consolidate for an extended period of time often run for a similar period of time when they finally breakout. The stage is set.

Transports rallied 1.5% yesterday and this is the part where I actually feel bad for my subscribers. With a history of tracking transports since my Dahlman Rose glory days when we covered everything that moved from planes and trains, to trucks, ships, and oil tankers. This is normally a bread and butter trending sector for me to exploit but for some reason the transport sector has been dead to SCARY money since 2017.

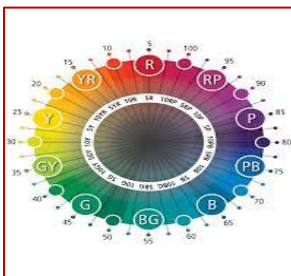
Trains, with the simplest business model since the lemonade stand, are still generally trending higher. Airlines are a total mixed bag with American trending lower and other majors chopping around. The carriers, FDX and UPS have been beat up by trade wars. The trucking sector is all over the map.

Yesterday’s transport rally was largely powered by the rail sector. Union Pacific, Norfolk Southern and Kansas City Southern rails (UNP, NSC, KSU) rallied sharply toward all-time highs. They are reacting to the same stronger than expected economy that portfolio managers are reacting to and the potential for a trade deal, which I’m still tuning out.

If FDX starts attracting buyers from this bargain basement 40% sale price of \$160, that is nearly 10% of the transport sector providing a lot of tailwind. Technically speaking, FDX rejected that new low below \$150 and recovered. She’s not out of the woods but up against the 2015 low of \$120 if you’re starting to look for reasonable risk reward on the long side. They report on December 17th, just in time for the end of year fireworks that I hope to be selling into.



Man if transports and small cap stocks start running at the same time, break out the champagne bottles for the END OF THE DECADE print.



Attribution Confution

A lot of really smart market analysts have been concerned about the rally because of its massive attribution to Apple and Microsoft. I haven’t been able to decide why after inspecting the charts, but it doesn’t bother me. I see it as these two companies re-establishing dominance generation after generation, accumulating buckets of cash, and the stocks are trading accordingly. ISI Evercore chimed in with an [accountable answer](#) on why not to fear the intense MSFT/APPLE attribution to the breakout.

First, these companies are returning capital to shareholders at a record pace. Dennis DeBusschere has the S&P in the



bottom 25th percentile of its historical PRICE-to-CASH Return (buybacks + dividends) basis.

“Global institutional investors are putting significant money to work in high cash returning U.S. stocks, which is likely to continue as long as the yields on other assets remain depressed.”

At some level we shouldn't be worried about a cratering mean reversion these large cap names because the earnings are there. (ISI references Apple, Facebook, Google, Microsoft, and United Health Care.)

“As long as these companies remain highly profitable, which appears likely at least over the near term, we would expect them to lead the market higher.”

We can remain cognizant of the narrow attribution to this rally but also aware that it is likely sustainable for the 3 to 6 month time horizon, at least.



The Sacha Baron Ali-G Speech

← Hit that. These here are the highlights ↓

“All this hate and violence is being facilitated by a handful of internet companies that amount to the greatest propaganda machine in history.”

“I believe it's time for a fundamental rethink of social media and how it spreads hate, conspiracies and lies.”

“This is ideological imperialism—six unelected individuals in Silicon Valley imposing their vision on the rest of the world, unaccountable to any government and acting like they're above the reach of law. It's like we're living in the Roman Empire, and Mark Zuckerberg is Caesar. At least that would explain his haircut.”

“Here's another good practice: slow down. Every single post doesn't need to be published immediately. Oscar Wilde once said that **“we live in an age when unnecessary things are our only necessities.”** But is having every thought or video posted instantly online, even if it is racist or criminal or murderous, really a necessity?”

“It was a snuff film, brought to you by social media.”

“By now it's pretty clear, they cannot be trusted to regulate themselves. As with the Industrial Revolution, it's time for regulation and legislation to curb the greed of these high-tech robber-barons.”

“And maybe fines are not enough. Maybe it's time to tell Mark Zuckerberg and the CEOs of these companies: you already allowed one foreign power to interfere in our elections, you already facilitated one genocide in Myanmar, do it again and you go to jail.”

“If we make that our aim—if we prioritize truth over lies, tolerance over prejudice, empathy over indifference and experts over ignoramuses—then maybe, just maybe, we can stop the greatest propaganda machine in history, we can save democracy, we can still have a place for free speech and free expression, and, most importantly, my jokes will still work.”



STUDY BREAK

"I mean, they say you die twice. One time when you stop breathing and a second time, a bit later on, when somebody says you name for the last time." - Banksy



"We're not asking these companies to determine the boundaries of free speech across society. We just want them to be responsible on their platforms."

– Sacha Baron Cohen

"Happiness is a warm puppy." – Charles M. Schulz, born November 26, 1922

"What was it like not being the first person on the moon and was you ever jealous of Louis Armstrong?" – [Ali G.](#)

"Think outside the box, collapse the box, and take a f*cking sharp knife to it." - Ali-G Banksy

"I think I've discovered the secret of life – you just hang around until you get used to it." – CMS

"There are four basic human needs: food, sleep, sex, and revenge." – Banksy

"Humans love sex, we need sex, it's how we connect, it reminds us we're alive, it's the third most basic human need, after food and good movie popcorn." – Billy Crystal

"People who get up early in the morning cause war, death, and famine." – Banksy

"You're a good man, Charlie Brown." – CMS

Get your **Banksy Charlie Brown** wall sticker

[HERE](#)

"Speak softly, but carry a big can of paint." – Banksy, *Wall and Piece*

"Life is like a 10-speed bicycle. Most of us have gears we never use." – CMS

Booyakashah





VIEW MATRIX

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BULLISH	TICKER	Added	REASON	ALL BETS ARE OFF
ON WATCH	IBB	4-Nov-19	Breakout/ Good risk/reward	< \$105.00
	TXN	23-Sep-19	Earnings dip into support	< \$115.50
	XHB	11-Sep-19	Rate move, head & shoulders break	< \$42
	GBP/USD	5-Sep-19	Price action turn	< £1.2400
	SLV	18-Jul-19	adding metal exposure/ gold:silver	< \$15
	GS	3-Jul-19	Technicals / "Safety Stock" WSJ	< \$192
	GLD	31-May-19	Negative yields & technicals	< \$130
	XBT	29-Mar-19	Central Banks & Breakouts	< \$7,300
VIEW	KING DOLLAR	1-May-19	LONG TERM VIEW - NOT A TRADE	< DXY 88.00
BEARISH	TICKER	Added	REASON	ALL BETS ARE OFF
VIEW	FAANG	7-Oct-19	LONG TERM VIEW - NOT A TRADE	> 4000



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