

Hello Everyone,

I had a totally different topic ready to go for Bob this Morning, but with almost 2000 Dow points evaporating in just over a week, it seemed smart to adjust.

Anyway, here a is fun fact...

Historically, October is not the worst month for markets (September is), but the biggest drops have disproportionately occurred in the 10th month. I don't know why...maybe it's a Halloween thing.

Today's missive sums up the bigger picture and puts the current US market in a global perspective. If you are looking for a common denominator that straddles market woes across the planet, it's debt.

As usual, I hope this helps make you a better investor.

Signed, Your Watching-President-Trump-Take-On-The-Fed-With Popcorn-In-Hand Financial Advisor,

Greg

KKOB 10.12.2018 Market Faltering. Is This It?

Bob: OK, so watching the market fall like a rock doesn't feel very good. So, let's get right to it. What's your take?

Greg: Well, welcome to Stocktober. Let's first focus on what we know... and then speculate. So, first, here's Mr. Cheerful. Before this morning's early rally, the Dow was off almost 2000 points from it's all time high early last week. The Fed is raising interest rates, but that's been going on for almost two years. Until last night, the Asian markets were on a 10-day losing streak---- and the other day, trading was halted in over 1000 freefalling Chinese stocks. Europe's markets are at 20-month lows and an Italian debt crisis looms.

Next, the Emerging Markets have had a horrible year and currency issues have sprung up in places like Venezuela, Turkey, South Africa, & Argentina. Oh, and if you thought cryptocurrencies like Bitcoin would save you, I'm afraid not. Cryptos are getting slammed. Oh, and so is the dollar.

Meanwhile, for you technical analysts out there. US indices are hovering

Meanwhile, for you technical analysts out there. US indices are hovering around their 200-day moving averages and the volatility index is spiking as if it just drank a six pack of Red Bull. And please note, over the past two quarters, while the public was piling into stocks, insiders were dumping stocks at rates we hadn't seen since before the dot com bust in 2000 and the Lehman mess in '08.

Finally, if you are looking for what is going up----well, gold is up, the Chinese yuan is doing just fine, and healthcare stocks are hanging in there.

Anyway, as it stands now, we are about unchanged for the year. Therefore, it's not the end of the world, but realize margin calls are ongoing. So, if the market has another dip you can expect a call from your broker telling you to pony up some cash.

Bob: As you went through all that, I can't help but think you have hit on all those issues over the past six months or so. You were never panicky, but it was clear you saw trouble ahead and you've been giving cautionary advice.

So, the big question is what's next?

Greg: Well, if the powers-that-be want to calm everyone down before the election, here's what I'd do. I'd attempt to convince Fed Chair Powell to issue some soothing palliatives like, "Just kidding. We're not hiking rates anymore. In fact, we might even lower them." Next, I'd make every effort to encourage companies to participate in one more round of stock buybacks. Shrinking available shares on the market, helps hold things up. Politically, I'd offer soothing words about trade with China--- and then hint about easing of our stance on tariffs.

Bob: Well, that sounds like a plan. But, I have a hunch you're not a fan of going that direction.

Greg: Not really. Short term, it will probably work. But, none of it addresses our core issues. Still, they may do it...just to buy some time. The problem is, each solution I just outlined is a short-term fix...and each has the same common denominator of more debt. And, as you know, that's been my biggest concern about this bull market...was it based on real earnings growth, or on debt?

What I am not sure of is this: "Is this it?" Have we hit the debt wall?

And is this why we're simultaneously seeing so many sectors falling across the globe? Or, is this just another "healthy correction" you hear the pundits reference? I don't know, we'll see.

If, however, we have hit debt saturation, then you can expect governments to do what they always do.... they'll double down. They'll try to print their way out. That may be what the market is telling you, which is why gold, silver, and Treasury Inflation Protection Securities were all up the past two days. Now, two days does not a trend make. Still, it's worth noting. And, with that, I'm out of time.

Bob: As always, I enjoy your perspective on things. And, I liked the word Stocktober. How do people reach you?

Greg: My number is 508-5550, 508 triple-5 zero. Or go to my website at zanettifinancial.com.

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