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Shoot The Curl
Monthly Perspective

Perspective: The Bull's Uneven Legs — Is This Really the Top?

Apr 05, 2017

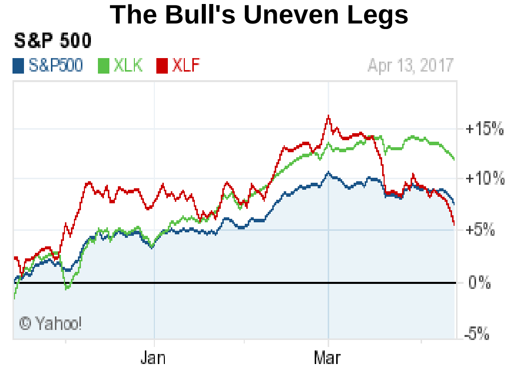
Dear Scott,

The Bull's Uneven Legs

The SPDR Technology ETF (XLK) and the SPDR Finance ETF (XLF) are plotted with the S&P 500 (right) from the November election through today. Although XLF was instantly off to the races (buoyed by grand expectations for Trump's reduced financial regulation agenda), it gave back the prior three months returns in March. XLK, on the other hand, was largely ignored after the election, but has since proven to be a steady performer, beating the S&P 500 by 4%, and XLF by 8%, in the past three months.

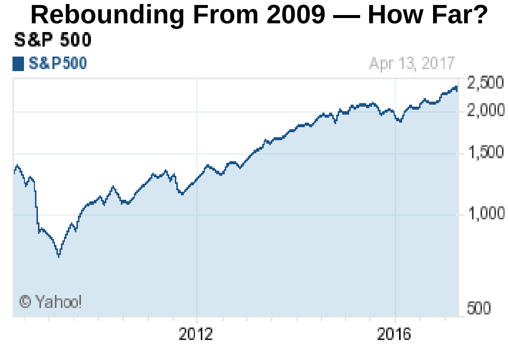
Why the difference? It's likely as simple as the difference between hyped expectations versus real world performance. True regulatory reform of [Dodd-Frank]() has not yet occurred. The once exuberant optimism has been dampened by the failure of congress to pass the proposed healthcare bill last month, thus making financial regulatory reform less believable. In the meantime, Amazon, Google, Apple, Tesla and other tech companies are marching forward delivering new products and services to a market with higher consumer confidence that doesn't require the promise of beneficial regulatory support as a condition for success. That said, if congress is successful in its next attempt to pass a healthcare reform bill, recently dampened sectors, such as XLF, will likely benefit strongly through renewed belief.

The Bull's Uneven Legs



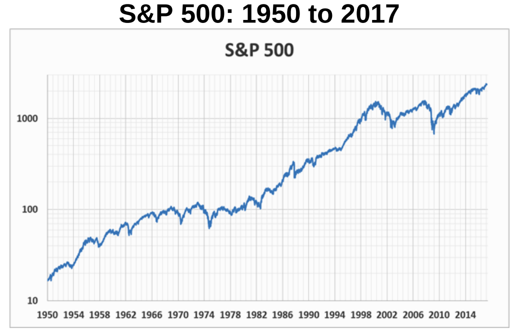
6-Months

Rebounding From 2009 — How Far?



9-Years

S&P 500: 1950 to 2017



Is This Really the Top?

Claims that the market is at another top have been vigorously debated ever since late 2012 when the S&P 500 surpassed its 2007 peak just prior to the 2008 financial crash. This morning CNBC again provided four differing opinions about whether the market was headed higher or lower. Bear market advocates claim the market is in a P/E bubble, bond bubble, real estate bubble, corporate debt bubble, and student debt bubble — any of which could pop if the FED raises interest rates as quickly as it did in the 2005-2007 period. That said, an economy on sufficiently strong footing can generally forestall a host of financial ailments for quite a long time. But, are we on strong footing? Or, more importantly, do we believe we are? I was conversing with an experienced trader a few days ago and commented on the recent market pullback, to which he replied: "You call 2% a pull-back? If this is the best the bears can do in a pullback, you can bet the market has legs and is headed higher." At least for now, the market seems to believe the economy is on sufficiently strong footing.

The 67-year chart of the S&P 500 (above-right) provides some interesting perspective about the likelihood of a pending market crash. Up through the mid 1980's there is a clear four-year market cycle, which entirely disappears thereafter. Perhaps this is evidence of success for the FED's activist monetary policies. (Albeit, it is also notable that the two largest market crashes occurred during those activist years.) Fortunately, there is no compelling evidence of a recurring cycle that predicts the next market crash is about to start. If the market is going to break, it will break for a reason — such as failure to implement important economic legislation, resulting in the popping of one or more of the economic bubbles. For now, I believe the market will continue climbing that “wall of worry” in belief that legislative economic reform will indeed forestall the threat of various looming bubbles.

401k Strategy Design Boot Camp
Streamed Live May 4th, 7PM PST

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401k Strategy Design Boot Camp
(Thurs. May 4th, Streamed Meetup Details)

Almost everyone has a company-sponsored 401k, 403b, 457, or TSP retirement savings plan (or at least a spouse or child with one). These plans are often most likely to hold the lion's share of your retirement savings for the simple reason that they are generally started at the beginning of one's working life. Even though these plans may be limited to seemingly stodgy mutual funds, they may be more important to manage than other accounts which permit owning exciting ETFs and stocks. In the very least, any retirement savings account should be protected against the potential ravages of the next market crash.

So, dust off those company retirement plan documents, find the list of available funds, and let's get cracking. If you'd like me to use your plan as an example, send me its list of funds. If you have a 401k strategy you'd like me to review live for possible improvements, please send its current Strategy-ID, the plan's fund list, and the questions you have.

We'll cover both fundamentals and topics often found to be confusing, misunderstood, or otherwise not obvious. We'll start from scratch and build some dang good strategies step-by-step.

Surf Well and Prosper,

Scott Juds
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