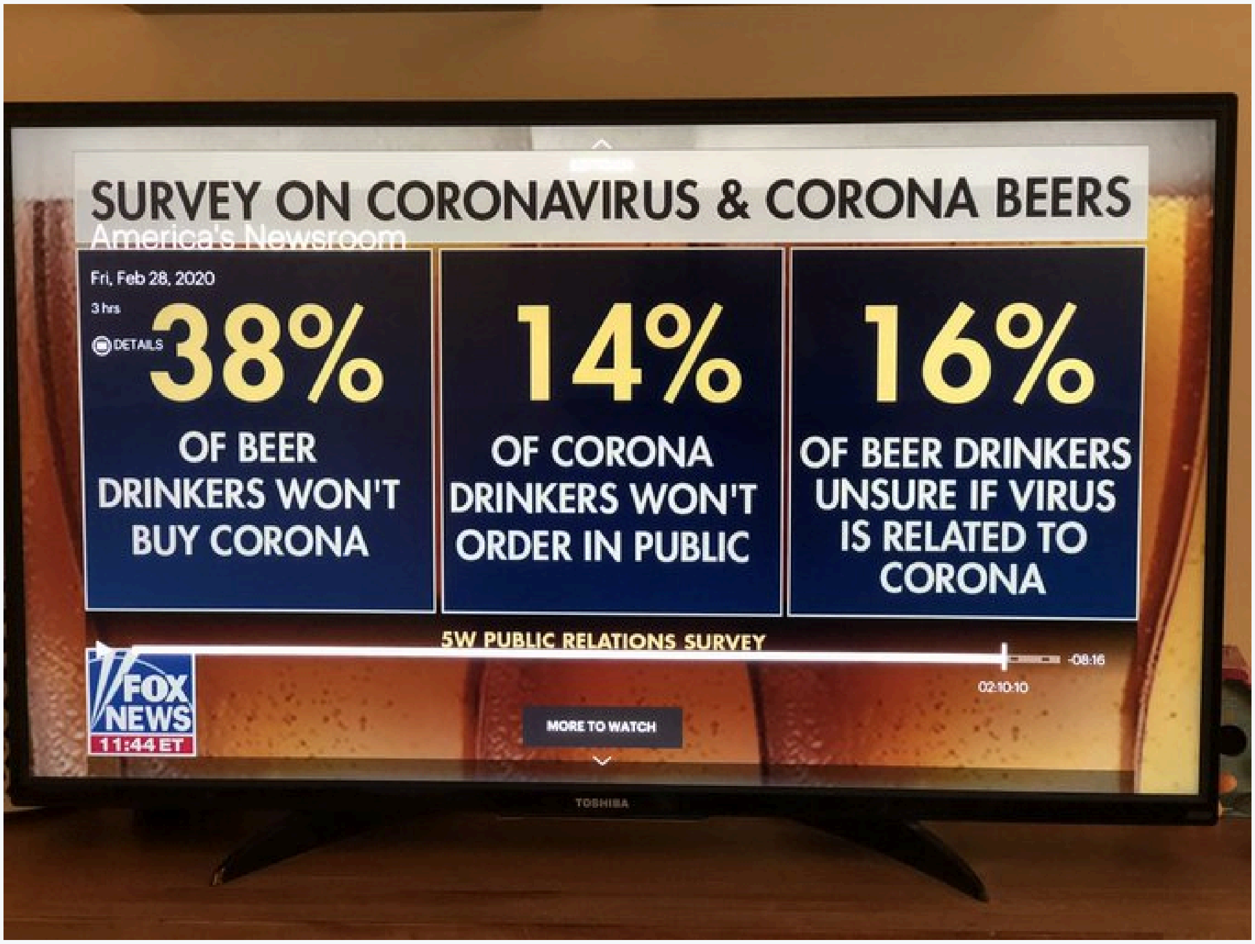
Under no circumstances does the information in this document represent a recommendation to buy or sell stocks or funds. It should not be assumed that the methods presented in this letter will be profitable or that they will not result in losses. Past results are not necessarily indicative of future results. This document is for educational and entertainment purposes only.



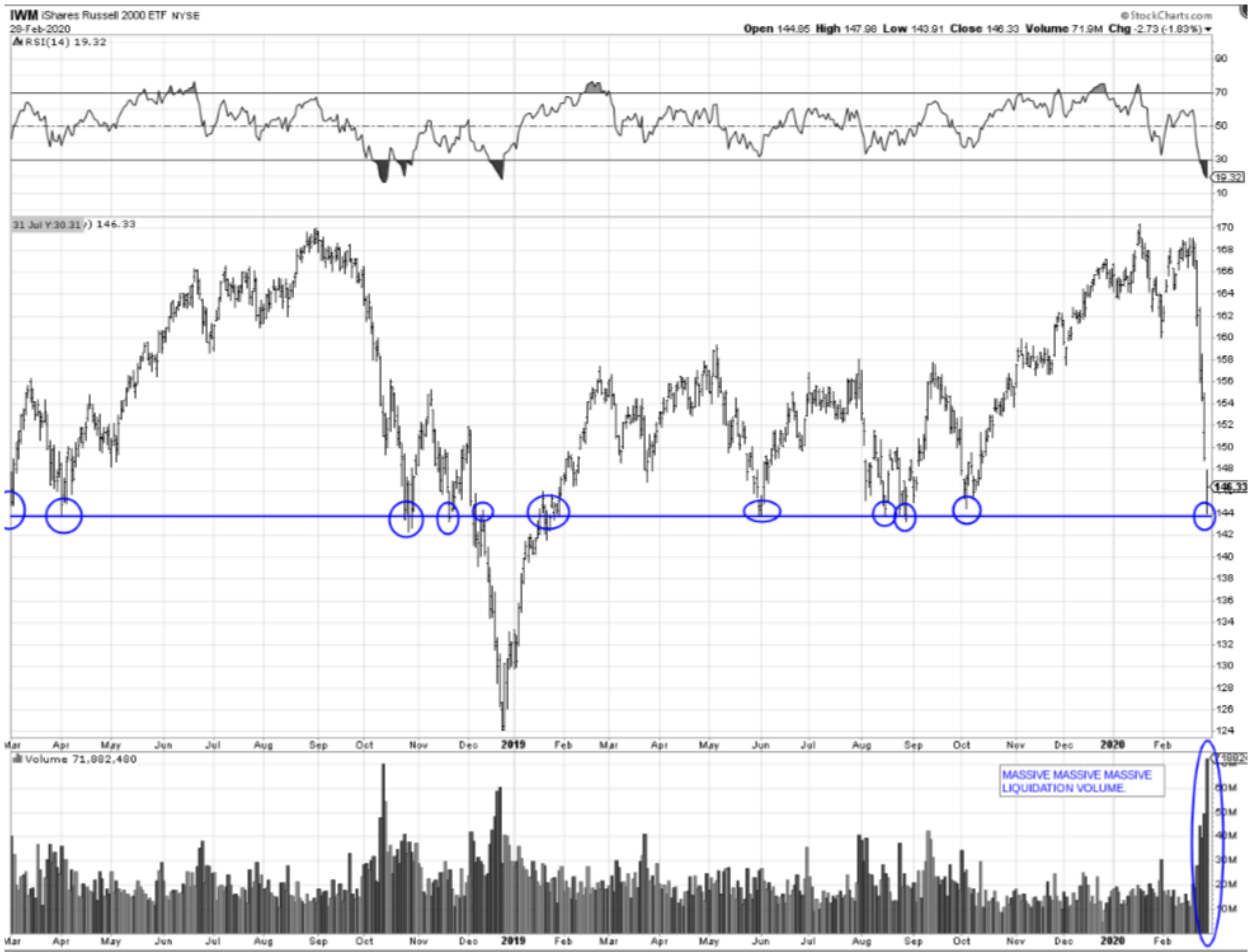
A public-health announcement: You'll probably get the coronavirus, wrote Dr. James Hamblin. In the coming year, up to 70 percent of people around the world may be infected with the virus. The good news? Most cases will be mild or asymptomatic. Hamblin identified one simple way to prevent the spread of a virus, any virus—and it's something you're likely already doing: Washing your hands. But are you doing it right?

"S&P -10% in a Week since WWII:

Four Times

October 1987
April 2000
September 2001
October 2008."
-Bespoke


(SPY - SPDR S&P 500 ETF,D) Dynamic,0:00-24:00
MA(8,C)e
MA(20,C)e
MA(60,C)e
SLOW DOWN PEOPLE. I HAVEN'T EVEN BEEN ELECTED YET!!
Volume
OK
Symbol: SPY,D
Date: 02/20/20
Time: 00:00
Price: 293.986833
Open 337.7423
High 338.64
Low 333.6817
Close 336.95
MA(8,C)e 336.160049
MA(20,C)e 332.900253
MA(60,C)e 324.57277
Vol 74,163,362
325.591429
323.161186
318.929432
299.47
244.04M
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2020
Feb



3/1/20

Good afternoon Friends and Family!

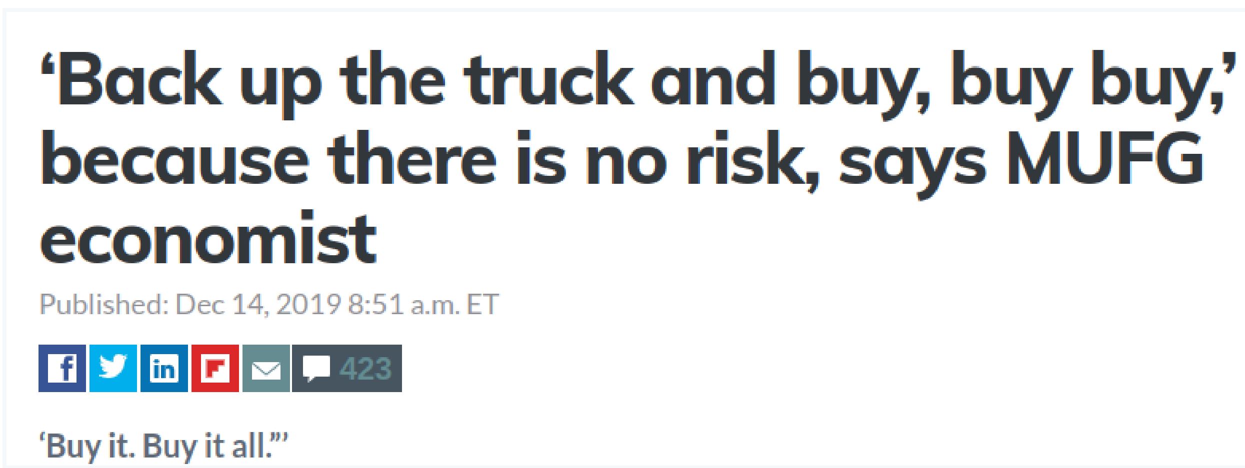
I don’t know about you but I’m exhausted. After a week like that, they should close the markets on Monday just to give our heads some rest.

Before we get to current charts and commentary, let’s review the extremes we’ve been seeing since late December. We’re going to see lots of commentators in the days, weeks, months, and years to come that will say that nobody could have seen this coming. There were tons of people who saw it coming. For one, every subscriber of Sentimentrader.com.

Here's general market commentary, charts of interest, and studies from my recent letters. I posted much of this on Twitter over the past couple months.

12/24 ANNUAL FORECAST:

- Dumb money bullishness is hitting multi-year extremes- the exact opposite of 1 year ago.
- Extremes in longer-term put call ratios.
- Inverted yield curve is now relevant after everyone has forgotten about it.
- Market heavyweights AAPL and MSFT are primed for a correction.
- Warren Buffett continues to amass a record-high cash position.
- Dumb Hedge funds just rushed back into the market.
- ***Did Wall Street's well-coordinated new zero commissions and "fractional shares" entice every last dumb money trader to rush into the market at the exact highs for insitutions to unload onto?***



'Back up the truck and buy, buy buy,' because there is no risk, says MUFG economist

Published: Dec 14, 2019 8:51 a.m. ET

423

'Buy it. Buy it all."'

1/11/20

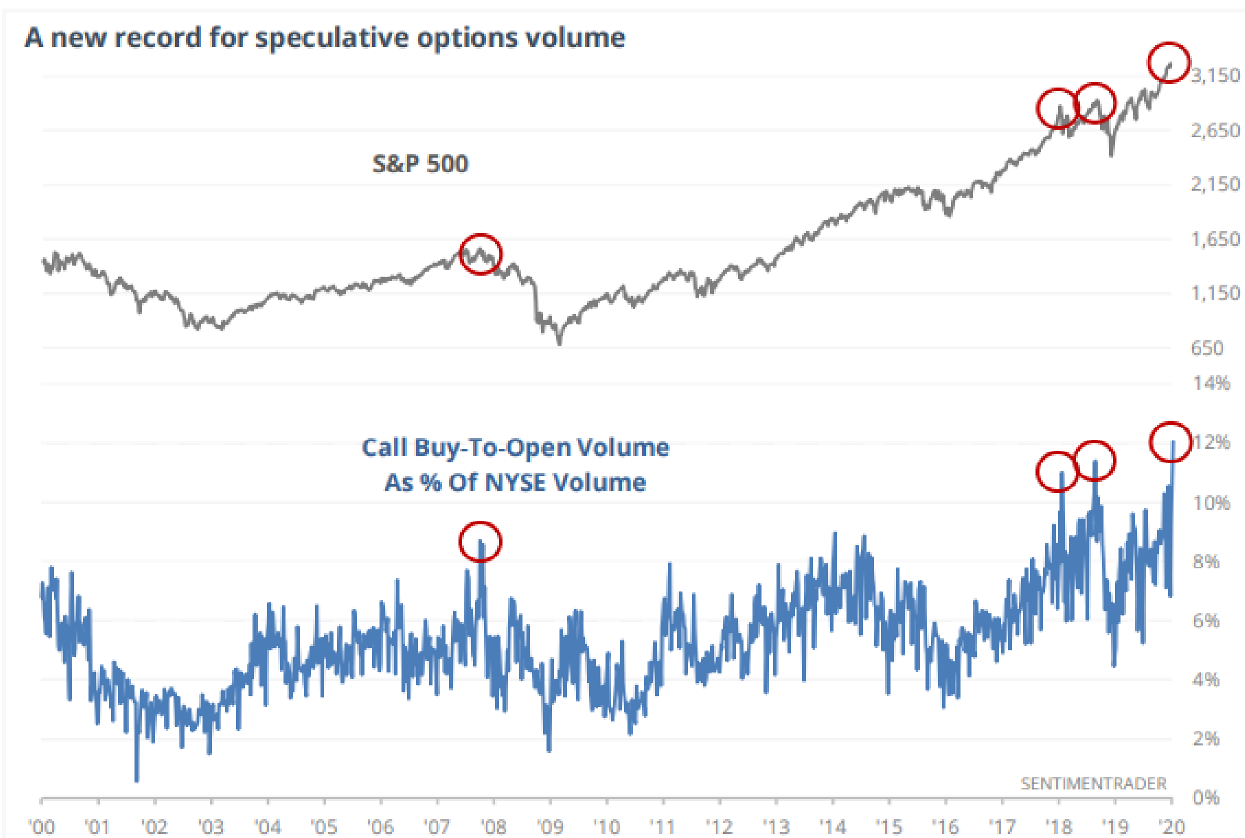
"As we've examined, technology- especially "FANG's" are off-the-charts overbought and frankly parabolic. Their ***chart patterns scare the heck out of me as parabola's usually lead to blowoff tops and major longer-term reversals.*** I think I'm going to change it to "MANG's" to include the 2nd largest company in the world - Microsoft"

MSFT Microsoft Corp. Nasdaq GS
©StockCharts.com
10-Jan-2020
Open 158.78 High 163.22 Low 156.51 Close 161.34 Volume 154.7M Chg +3.64 (+2.31%)
MSFT (Monthly) 161.34
02 Jul O: 25.59 H: 25.95 L: 23.85 C: 24.63 V: 1,012,826,368 Y: 162.52

“We’ve spoken a lot about the extremes in smart money and dumb money over the past couple of months. In my earlier days, I may have tried to short the market when the smart money and dumb money get extreme. I learned my lesson lol. ***In the market, it’s best to wait, wait, wait, wait some more, and wait a little bit more, and then wait 8 more days. That’ll usually be the turning point for your stock or market!”***

1/14/20

No market environment ever makes “sense”, but this one in particular makes less sense than most I’ve lived through. Technology and “FANGM’s” are making ***parabolic runs and look ripe for a massive pullback.***



“As a percentage of total volume, speculative call buying last week hit a level never seen in the past 20 years, and there was ***little in the way of protective strategy volume as an offset"***

We are now witnessing the most aggressive behavior from options traders since at least the peak of the 2000 bubble or beyond." -Sentimentrader

1/19/20

"One of the things that I was reminded of when going through my notes is just how important emotional intelligence is in *ALL* markets. We always like to talk about emotional intelligence during crashing markets and being able to detach yourself from the emotional crowd while patiently waiting for and getting ready for the opportunities that always emerge. Nobody ever talks about it, but you need that same emotional intelligence during euphoric markets.

In all environments, I try to sit completely detached while ***I wait for low risk bases, low risk earnings announcements, or low(er) risk oversold values to emerge.*** In the current environment, I'll continue to be amused by the masses panic-buying into AAPL, TSLA, FB, MSFT etc.. Regardless of what the guy on CNBC is doing, it'll be business as usual as I look for mispriced stocks with asymmetric risk/reward characteristics.

QQQ 150 WEEK MOVING AVERAGE 2020 VS. .COM ERA

QQQ Invesco QQQ Trust Nasdaq GM
©StockCharts.com
17-Jan-2020 Open 219.31 High 223.56 Low 218.98 Close 223.38 Volume 114.7M Chg +4.95 (+2.27%)
QQQ (Weekly) 223.38
MA(150) 167.05
WTF???????
23 May O: 51.92 H: 52.38 L: 51.45 C: 52.32 V: 214,007,936 Y: 231.86
2017
2018
2019
2020


$COMPQ Nasdaq Composite INDX
©StockCharts.com
30-Mar-2001 Open 1957.71 High 1979.75 Low 1794.30 Close 1840.26 Volume 9.8B Chg -88.42 (-4.58%)
$COMPQ (Weekly) 1840.26 (30 Mar)
MA(150) 2869.31
09 Dec O: 537.28 H: 541.11 L: 529.17 C: 540.90 V: 834,225,024 Y: 4,932.69
1998
1999
2000
2001
2869.31
1840.26

"What is cash? Power and Confidence" -Jesse

1/21/20

In terms of the general market, things are crazy. Insane. The normal rules of the game no longer apply. At all. It's either "different this time" or ***something is going to come completely out of left field to shock the market when least expected.*** Iran retaliation? ***Global pandemic?*** "No Deal Trump"?, Fed shenanigans? North Korea? ***Bad earnings guidance in tech? (This one would be TOTALLY unexpected due to the huge expected ramp in 5G spending).***

Chart patterns are chart patterns. Charts can remain extended for quite a bit longer than one might expect. However, ***dumb money speculation is usually a different beast. When traders pile into put options or call options en masse, they almost always take a huge beating.*** Fortunately, Sentimentrader had some good commentary today on the call option action of late. It's insane.

"(Call option trades) hit a record high for the 2nd week in a row. Last week, customers bought 22.8 million call options to open, exceeding the record from the prior week of 21.6 million contracts. The only other week in the past 20 years that neared 20 million contracts was 19.8 million during the week of January 26, 2018. As a percentage of total NYSE volume, speculative call buying reached 12.5% of NYSE volume last week, again exceeding the prior week's level, which itself had been a record. ***At this point, it's going parabolic.***

Overall, options traders were not at all willing to cap their gains by selling call options to open. The number of call option contracts bought to open minus sold to open has skyrocketed over the past two weeks. ***We've never seen anything like this before."-Sentimentrader***

INVERTED AAPL CHART SHOWING WATERFALL DECLINE

We’ve never seen a market where the “price to sales” ratio is so stretched vs. the long-term average. This is a chart of the market vs. GDP. WAY above trend. *This is Buffett’s favorite timing indicator.

1/22/20

Founder of world’s largest hedge fund Ray Dalio says

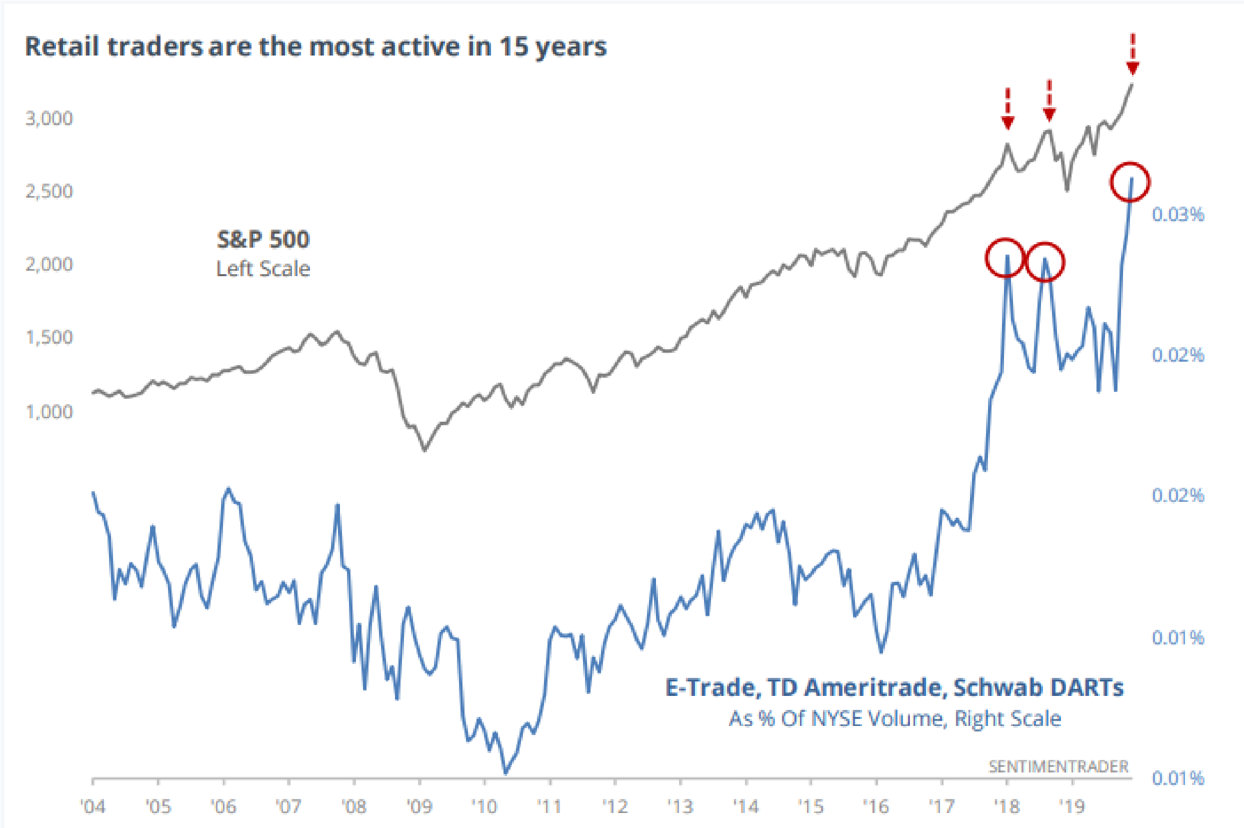
“*CASH IS TRASH*” as the Dow soars to records.

Published: Jan 22, 2020 11:19 a.m. ET

1/28/20

Here’s the NASI weekly. This one’s a bit scary. Fresh break from a rising bearish wedge. RSI breakdown to boot.

*THIS WAS A CRITICAL CHART.



2/1/20

“THE BOOM-BUST CYCLE IS OVER” -Bridgewater CIO.

Really? Are “billion dollar experts” this clueless?

CORONAVIRUS

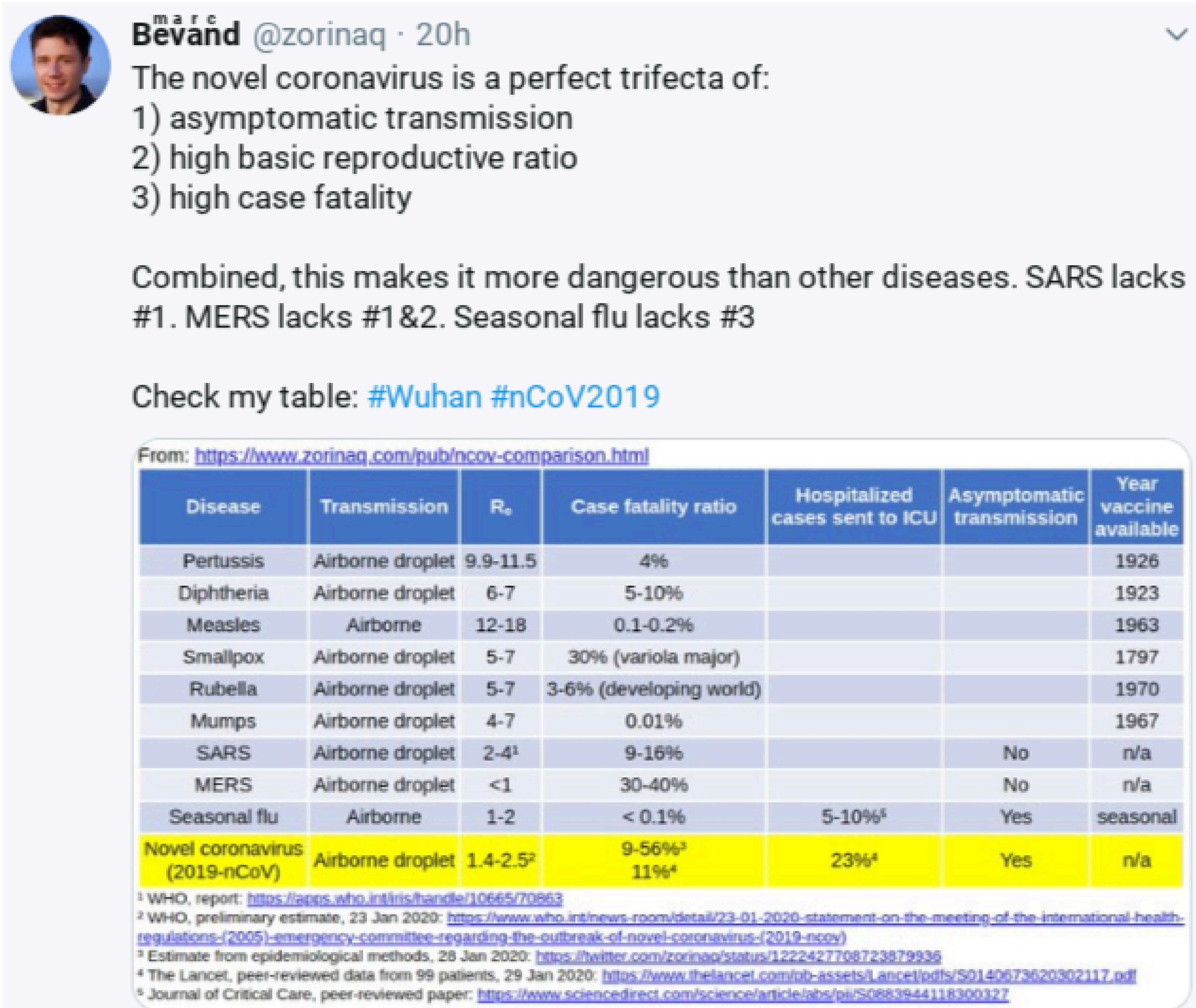
"The risk to the American public is low"......

8 hrs later:
“Public health emergency”

“HONG KONG CLOSES SCHOOLS UNTIL MARCH”

Airlines cancelling all flights in and out of China.

Singapore banning all Chinese Nationals from entering country.



marc Bevand @zorinaq · 20h

The novel coronavirus is a perfect trifecta of:
1) asymptomatic transmission
2) high basic reproductive ratio
3) high case fatality

Combined, this makes it more dangerous than other diseases. SARS lacks #1. MERS lacks #1&2. Seasonal flu lacks #3

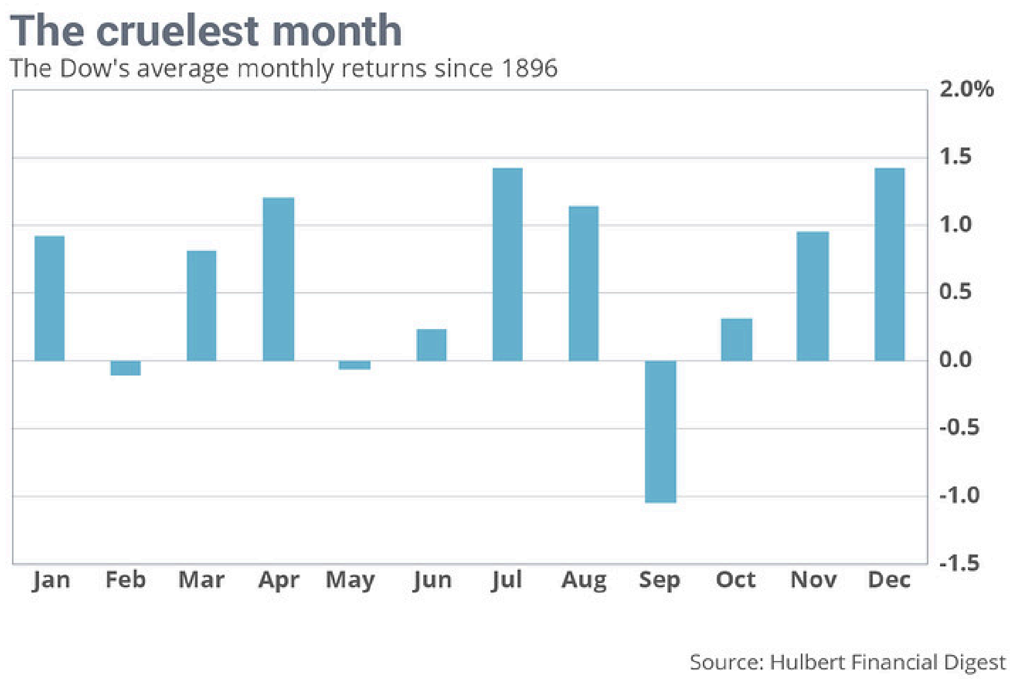
Check my table: #Wuhan #nCoV2019

From: https://www.zorinaq.com/pub/ncov-comparison.html

Disease	Transmission	R_0	Case fatality ratio	Hospitalized cases sent to ICU	Asymptomatic transmission	Year vaccine available
Pertussis	Airborne droplet	9.9-11.5	4%			1926
Diphtheria	Airborne droplet	6-7	5-10%			1923
Measles	Airborne	12-18	0.1-0.2%			1963
Smallpox	Airborne droplet	5-7	30% (variola major)			1797
Rubella	Airborne droplet	5-7	3-6% (developing world)			1970
Mumps	Airborne droplet	4-7	0.01%			1967
SARS	Airborne droplet	2-4[1]	9-16%		No	n/a
MERS	Airborne droplet	<1	30-40%		No	n/a
Seasonal flu	Airborne	1-2	< 0.1%	5-10%[5]	Yes	seasonal
Novel coronavirus (2019-nCoV)	Airborne droplet	1.4-2.5[2]	9-56%[3] 11%[4]	23%[4]	Yes	n/a

[1] WHO, report: https://apps.who.int/iris/handle/10665/70863
[2] WHO, preliminary estimate, 23 Jan 2020: https://www.who.int/news-room/detail/23-01-2020-statement-on-the-meeting-of-the-international-health-regulations-(2005)-emergency-committee-regarding-the-outbreak-of-novel-coronavirus-(2019-ncov)
[3] Estimate from epidemiological methods, 28 Jan 2020: https://twitter.com/zorinaq/status/1222427708723879936
[4] The Lancet, peer-reviewed data from 99 patients, 29 Jan 2020: https://www.thelancet.com/pb-assets/Lancet/pdfs/S0140673620302117.pdf
[5] Journal of Critical Care, peer-reviewed paper: https://www.sciencedirect.com/science/article/abs/pii/S0883944118300327

In terms of seasonality heading into ***February, it tends to be the second weakest month of the year historically.***

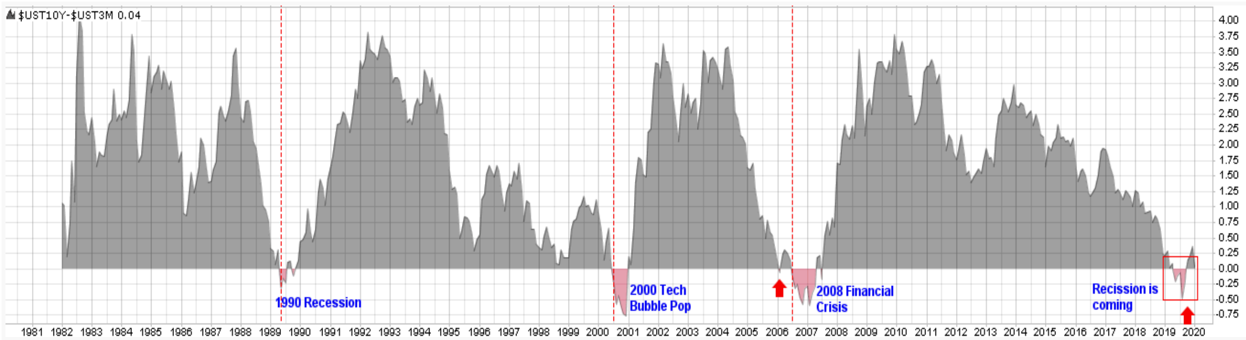


Big picture, my biggest concerns have been the historic extremes in ***speculative call buying, the parabolic monthly charts for stocks like AAPL and MSFT, and the all-time high in price to sales and price to GDP ratios.***

Secondarily, we've had the ***yield curve inversion from last year which usually starts to become actionable 6-12 months after the trigger (wait till nobody talks about it), the historically extreme number of brokerage "upgrades" a couple weeks ago, very low protective put buying and short positioning to provide market support during a correction (and no cash on the sidelines to provide support), and no more trading commissions thus ushering every last dumb money "get rich quick" daytrader into the stock market. And we now have a weekly NASI sell signal.***

Honorable mention goes to the ***number of money-losing IPO's hitting the market, the record number of secondary offerings and Berkshire Hathaway's record cash position.***

Yield curve.



We’ve had a great bullish “Wall of Worry” with “Brexit”, “Impeachment”, and “Tariff Man”. ***None of these had any significant impact on the global economy or earnings, thus they were tremendous “wall of worry” news items.*** After Tariff Man went away a couple weeks ago, it also looks like the impeachment fears and Brexit fears are wrapping up as we speak.

One could argue that the Coronavirus is now taking over in the “Wall of Worry” department. Maybe so. But ***it seems like this “wall of worry” item could actually have a significant impact on the global economy. If there is a signficant economic impact, it no longer qualifies as “stupid news”.***

Things look the absolute best at market tops and look like the sun will never rise again at major bottoms. With a Tariff resolution, end of Brexit, “good” impeachment outcome, and the best tech earnings ever, one might argue that news could not possibly get any better.

We then we have stock market “experts” saying we “won’t have downcycles” in the future and “cash is trash”…

Really?

MONTHLY CHART FOR SMALL CAPS

Here's the APPL monthly chart. If I were interested in AAPL, I'd look to buy it at one of those long-term trendlines.

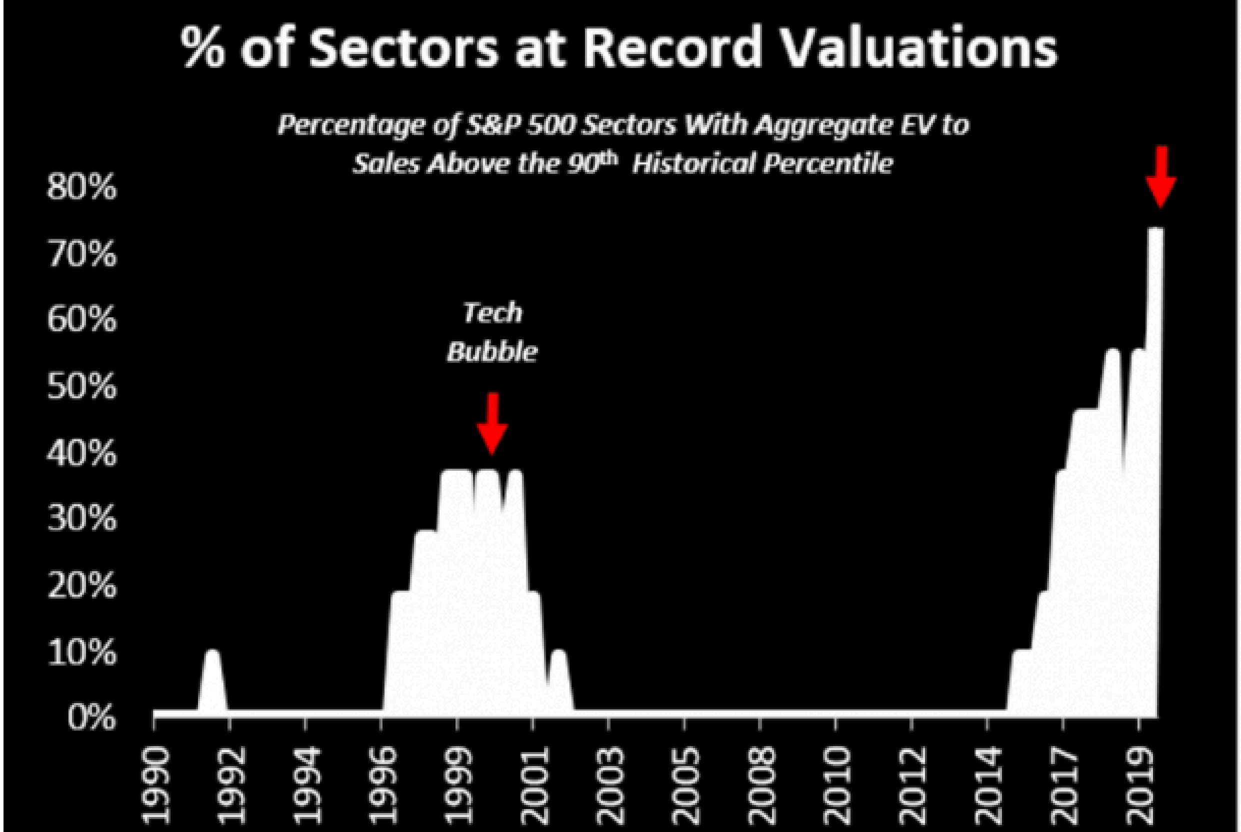
Charlie Bilello @charliebilello · 20h
For the first time ever, there are 4 trillion-dollar companies in the US: Apple, Microsoft, Google, and Amazon.

$AAPL $MSFT $GOOGL $AMZN

CRESCENT CAPITAL:

"We certainly did not predict the Coronavirus, but it may prove to be the catalyst to tip this market that is trading at truly historic valuation levels after a record long U.S. economic expansion," he told clients in a note this week. ***"Median EV-to-sales for the S&P 500, based on our work recently reached an insane, euphoric level of 3.6 times, two times than the tech bubble peak."***

"Investors will need a good grounding in valuation and business cycle analysis to reject the common buy-the-dip advice that is soon to become prevalent in the still early stages of what is likely to become a brutal bear market," he warned.



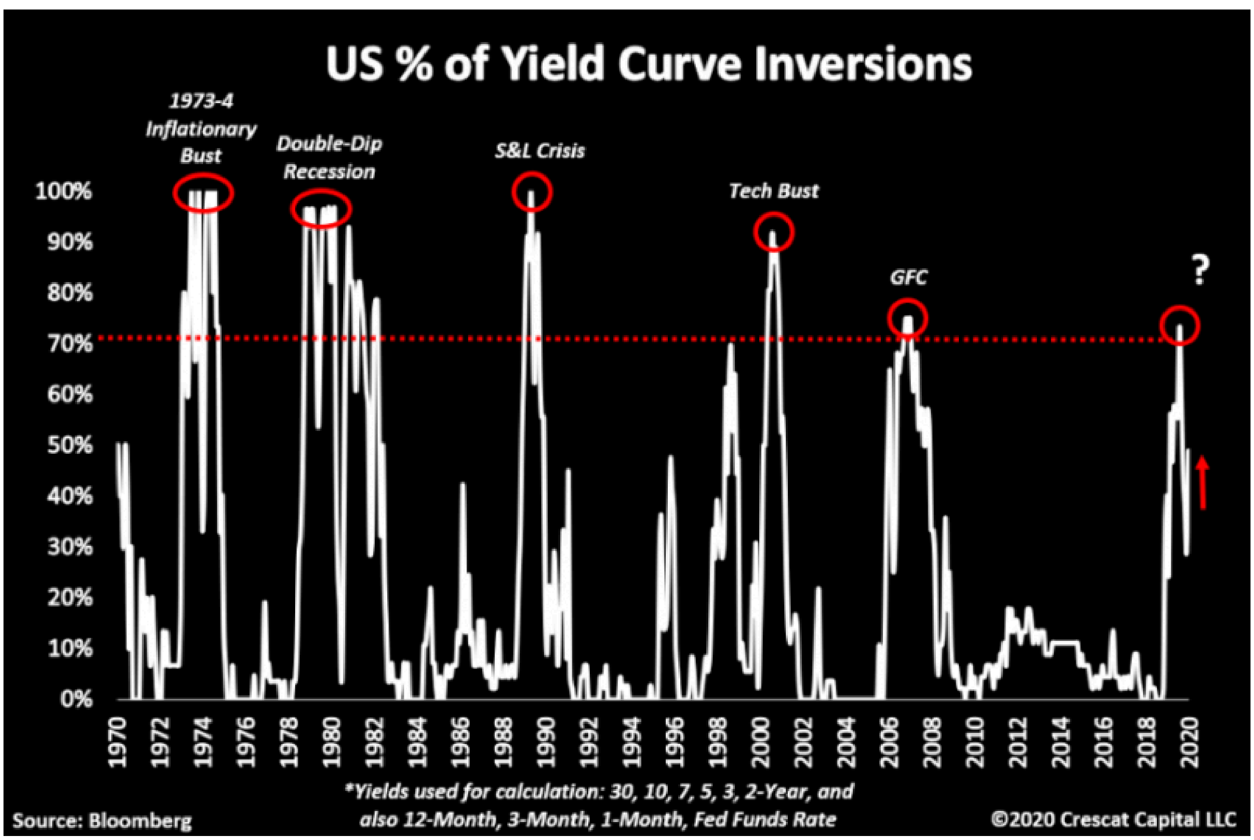
Historical Percentile

Sectors	Tech Bubble	Housing Bubble	Today
Consumer Discretionary	76%	44%	99%
Consumer Staples	57%	43%	96%
Utilities	8%	71%	100%
Health Care	75%	29%	55%
Information Technology	100%	63%	98%
Communications Services	95%	78%	99%
Materials	41%	76%	94%
Energy	78%	73%	77%
Industrials	91%	58%	99%
Real Estate	-	-	100%
Financials (Price to Sales)	63%	75%	50%

Source: Bloomberg

S&P 500 Valuations		
Factors	**Most Recent Value**	**Historical Percentile**
Median EV to Sales (Ex-Financials)	3.6	100%
US Total Market Cap to GDP	156%	100%
EV to Free Cash Flow Margin-Adjusted (Ex-Financials)	45.0	100%
Median Price to Sales	2.6	100%
Median Price to Book	3.6	100%
Margin-Adjusted P/E (MAPE)	47.0	99%
Median EV to EBITDA (Ex-Financials)	13.2	97%
Cyclically Adjusted P/E (CAPE)	33.2	96%
Source: Bloomberg, Yale/Robert Shiller, John Hussman	*Numbers as of January of 2020	©2020 Crescat Capital LLC

"Keep in mind that Crescat's most reliable recession harbinger already flashed a warning signal several months ago when the percentage of inversions in the Treasury yield curve surged above 70%. This indicator is Tavi Costa's very own invention. ***We believe it is more robust than common yield curve inversion models.*** While it is a back-tested model, and it could be "different this time", it ***has a perfect history of predicting prior economic downturns since 1970.*** We show Tavi's model below."

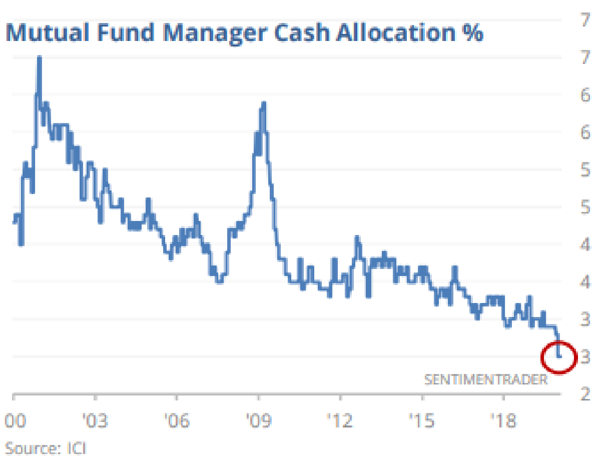


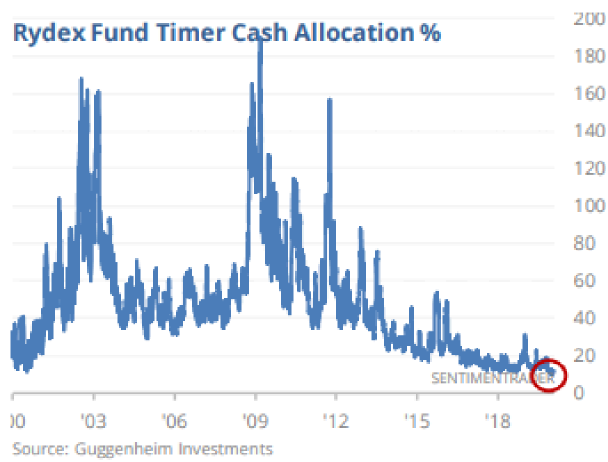
2/05/20

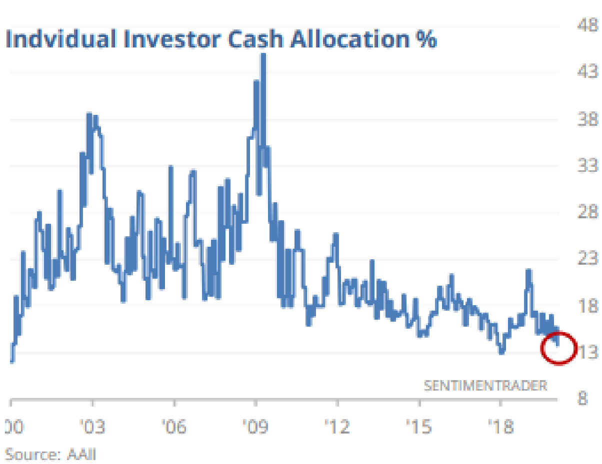
I don't know what else to say about the market. We've looked at it from every angle. ***Things are just insane.*** A market unlike any other in history. ***Companies like YUM brands reporting sales down 50% in China.*** Several Chinese companies have postponed earnings releases. Management teams simply haven't told investors that earnings have been postponed nor have they shared the new earnings date. Perhaps the executives have turned into Corona Zombies? Who knows.

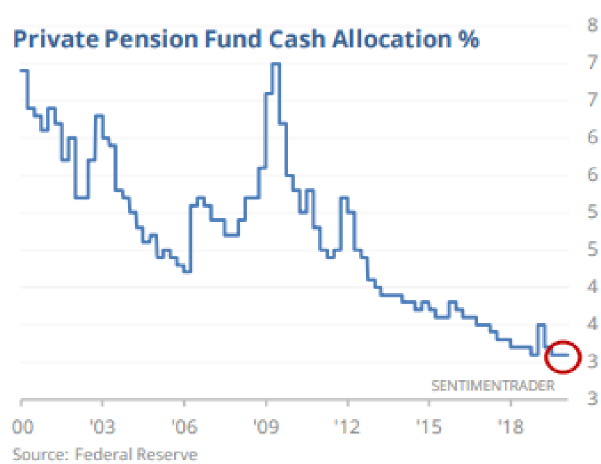
Now, this is just crazy. How can this be? ***"Cash holdings among mutual fund managers had one of its largest plunges ever, dropping to only 2.5% of assets, by far a record low. Retail investors aren't holding much cash, neither are Rydex fund timers, other individual investors, or pension funds."***

If stocks ever sell off, there won't be anyone able to buy stock.





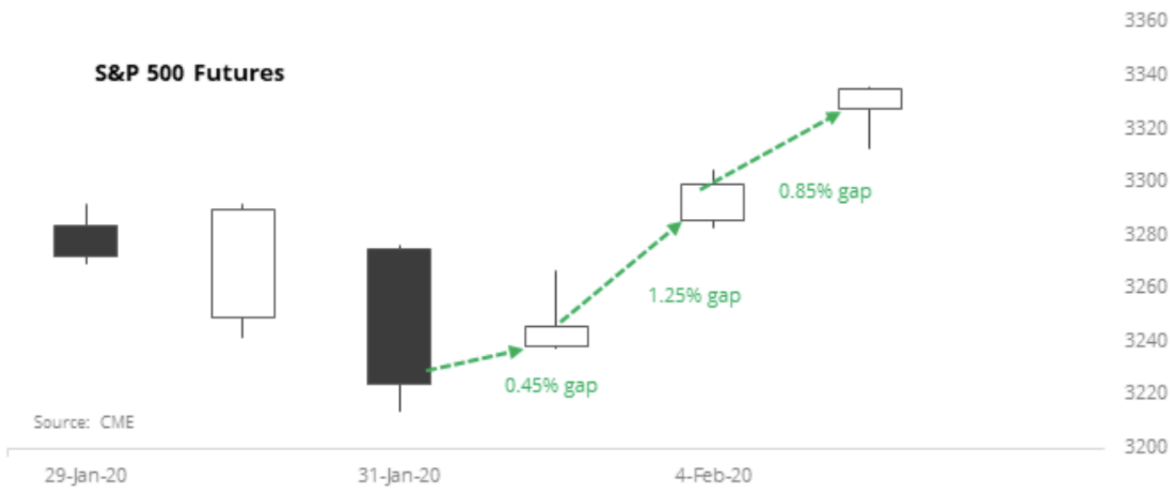




2/08/20

Early and aggressive

Buyers keep coming into stocks before regular trading hours. Before each of the past 3 sessions, buyers pushed S&P 500 futures up at least 0.45% before the open.



With a new all-time high by the close, **this kind of buying pressure has never been seen before**.

Like a broken record, I've been saying that the things that have me defensive in the short term are the NASI weekly sell signal, the put call ratios, and the parabolic charts in AAPL, MSFT, and now TSLA.

To give you a better visual on the put/call ratio, I put a chart together of the 30 day moving average of the put/call ratio. It's a good way to see the sustained level of call buying. It's telling us that Trump will likely get the Coronavirus :)

PARABOLAS

Speaking of parabolas, here are some cool parabolic charts.

I love this. " "MAGA" ate the stock market." It truly has to an epic degree! Here is the "MAGA" Index which I suppose you can only see on a Bloomberg terminal. ***Holy parabola batman.***

Here’s an updated view of the MSFT parabola. Inverting it helps me see just how crazy things have gotten. This is the type of waterfall chart that you typically see at the very end of a brutal bear market.


MSFT Microsoft Corp. Nasdaq GS
©StockCharts.com
7-Feb-2020
Open 170.43 High 185.63 Low 170.40 Close 183.89 Volume 166.7M Chg +13.66 (+8.02%)
MA(80) 126.16
MSFT (Weekly) 183.89
126.16
183.89
15
20
25
30
35
40
45
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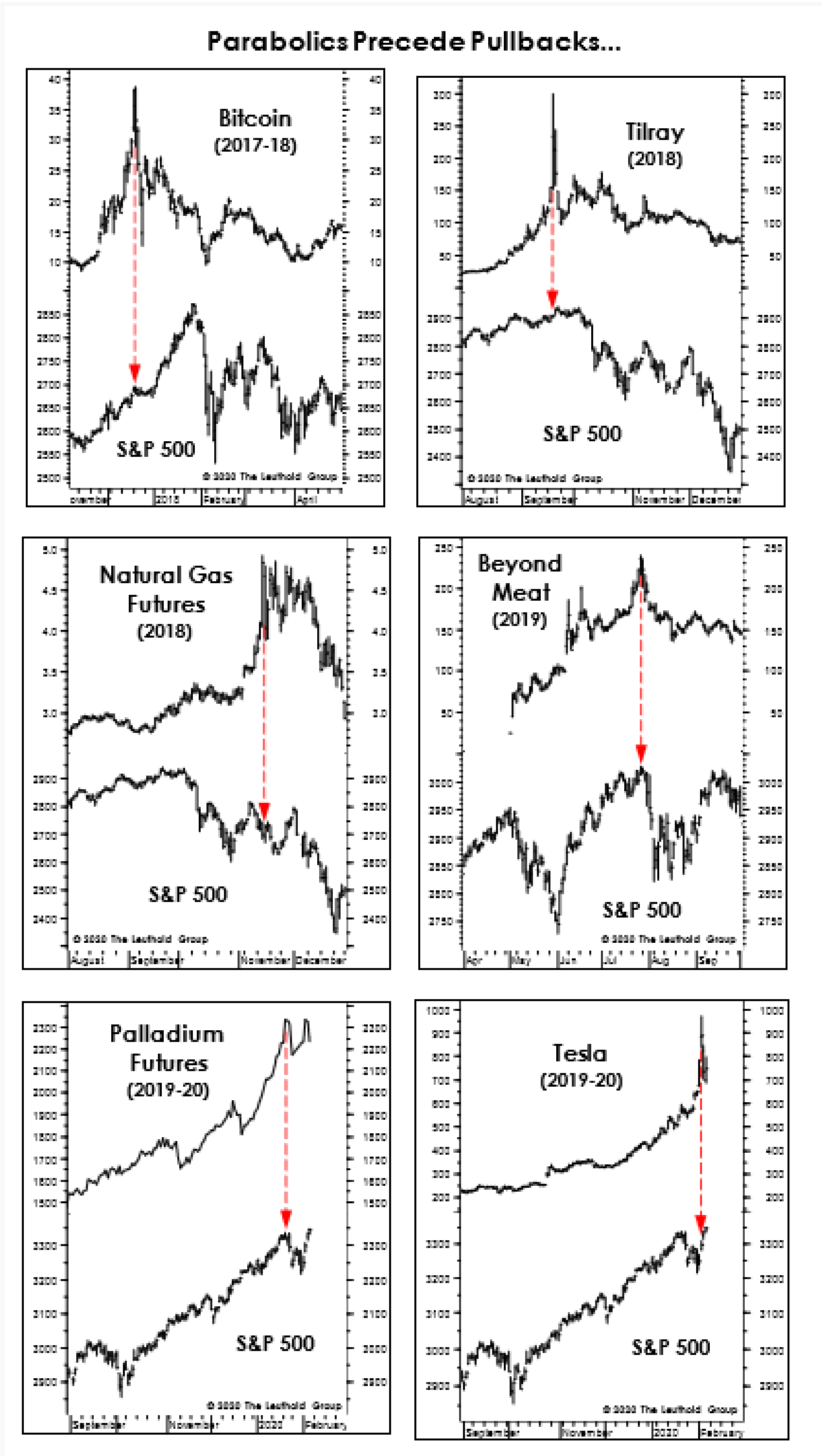
2019
2020

Then of course, now we have TSLA.

I can’t remember where I found this one, but it shows how when mainstream financial entities go parabolic, it tends to lead to a pullback in the S+P in the days and weeks ahead.

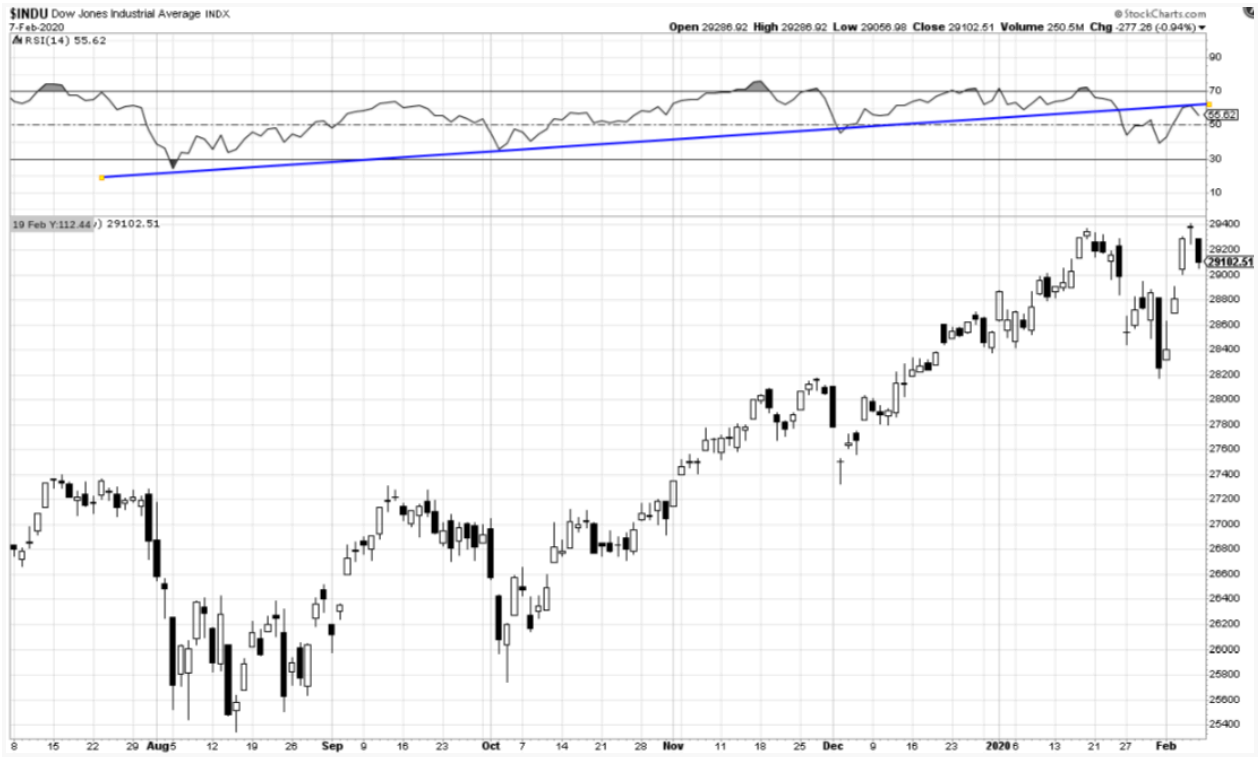


Silver was another parabola from 2011. I plotted the S+P on top. ***The thing about parabolas is they tend NOT to deflate slowly but usually in a much more dramatic fashion.***

Regarding APPL, Kunal put this chart together showing it at RSI resistance.

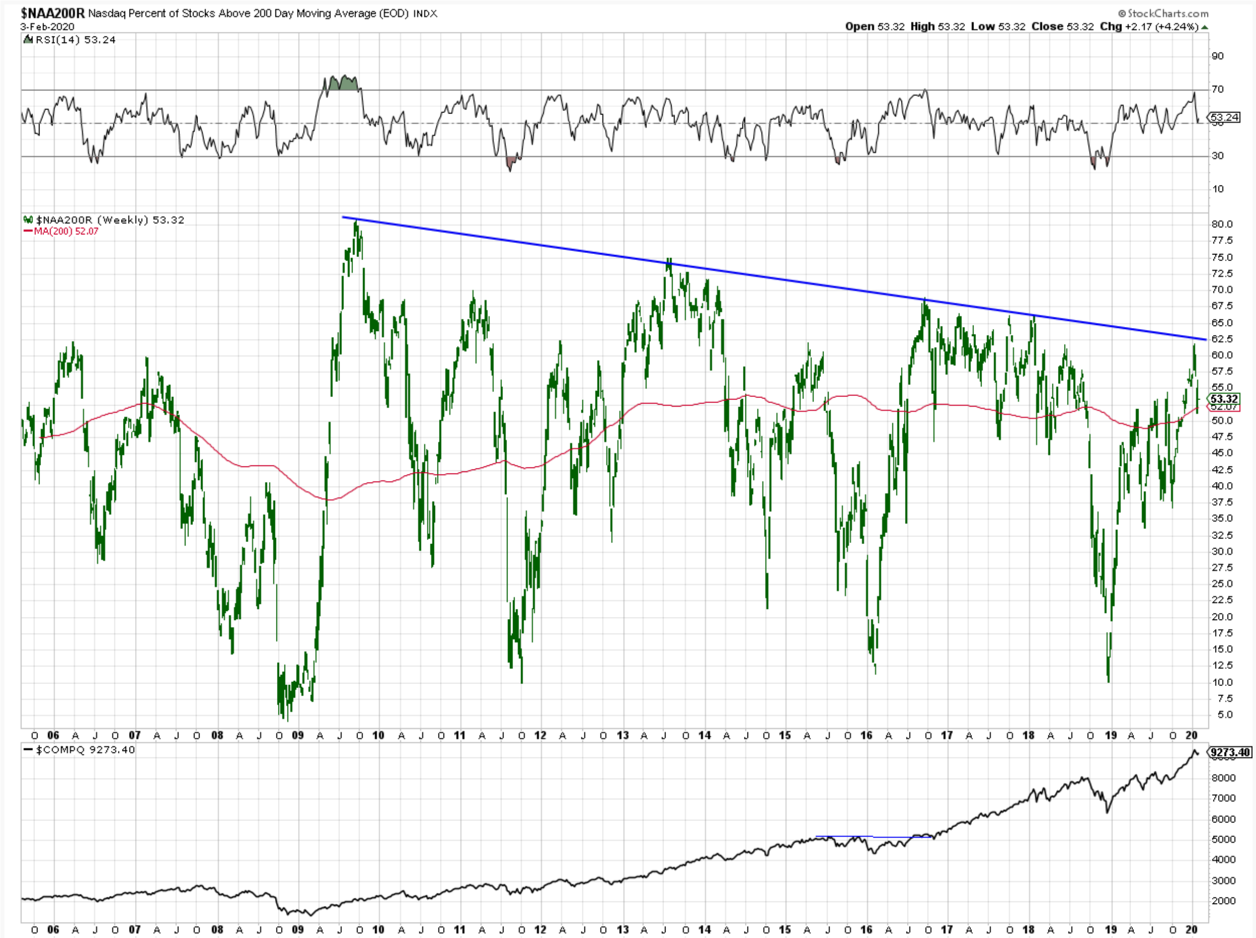
Symbol
AAPL
Period
Daily
Update
Apple, Inc. (AAPL) 10
Refresh: Off
Inspect
Save
Save As
Delete
View All
Edit List
AAPL Apple, Inc. Nasdaq GS + BATS
7-Feb-2020 3:29pm
© StockCharts.com
Open 322.37 High 323.40 Low 318.09 Last 318.37 Volume 22.7M Chg -6.07 (-1.87%)
RSI(14) 57.75
AAPL (Daily) 318.37
8 15 22 29 Aug 12 19 26 Sep 9 16 23 Oct 7 14 21 28 Nov 11 18 25 Dec 9 16 23 2020 13 21 27 Feb 10
Volume 22,670,696
MACD(12,26,9) 6.844, 7.900, -1.057

Watch the Dow next week as we're seeing an RSI backtest.



Another backtest of note is the one we've been watching over at the VIX. RSI is also at support.

And going back to breadth, Danilo showed this chart of the % of stocks above their 200 day moving averages. We've been seeing it weaken since hitting the long-term trendline.

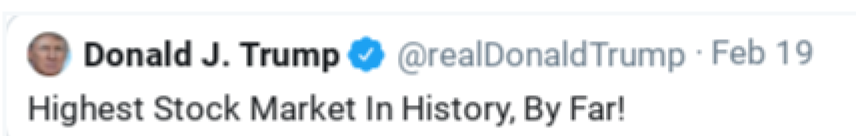

$NAA200R Nasdaq Percent of Stocks Above 200 Day Moving Average (EOD) INDX
©StockCharts.com
3-Feb-2020
Open 53.32 High 53.32 Low 53.32 Close 53.32 Chg +2.17 (+4.24%)
RSI(14) 53.24
$NAA200R (Weekly) 53.32
MA(200) 52.07
$COMPQ 9273.40

2/13/20

Well, that’s Trump ***holding up a piece of paper saying “The Trillion Dollar Club - MAGA”***

MSFT, AAPL, GOOGL, AMZN.

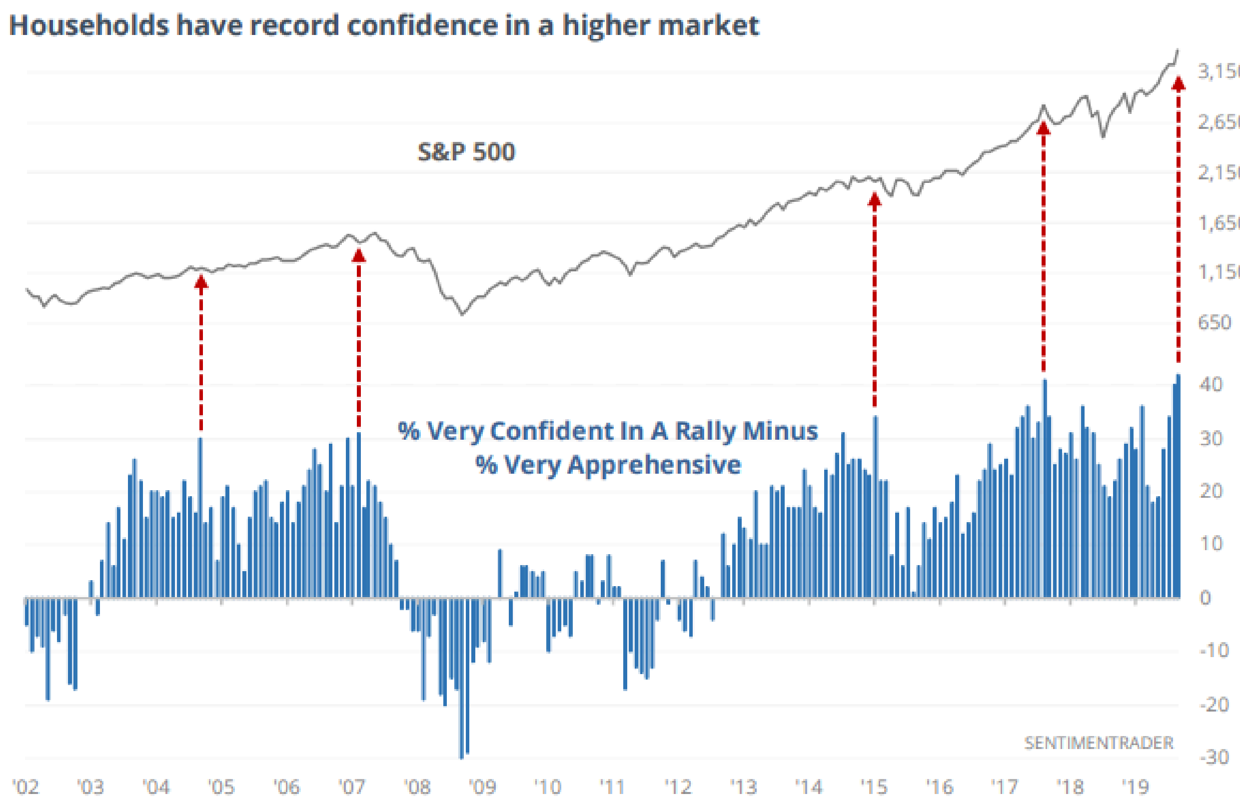
2/19/20



Donald J. Trump @realDonaldTrump · Feb 19
Highest Stock Market In History, By Far!

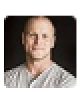
I’m not going to say too much about the general market today. We still have the crazy longer-term put/call extremes as well as parabolic behemoths like AAPL, MSFT, and now TSLA and stuff like SPCE.

And this kinda stuff continues to pile up-



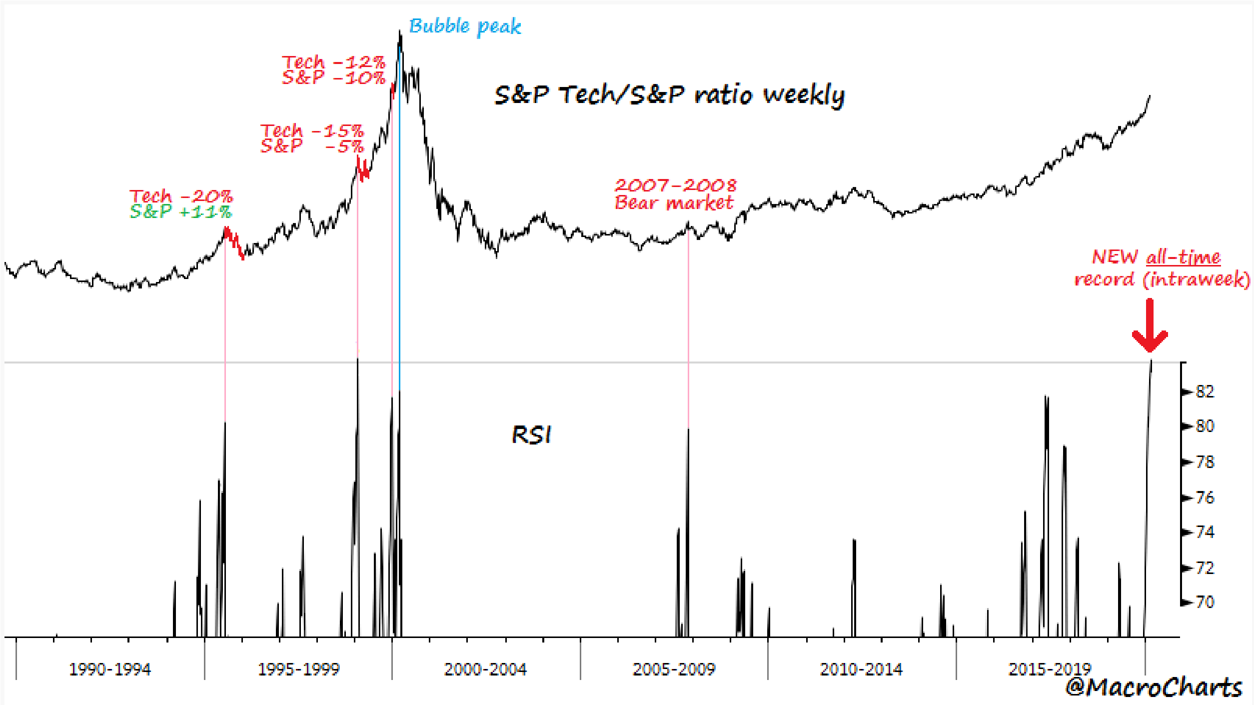
2/21/20

january-6th-2020 – Feb 20th View in channel

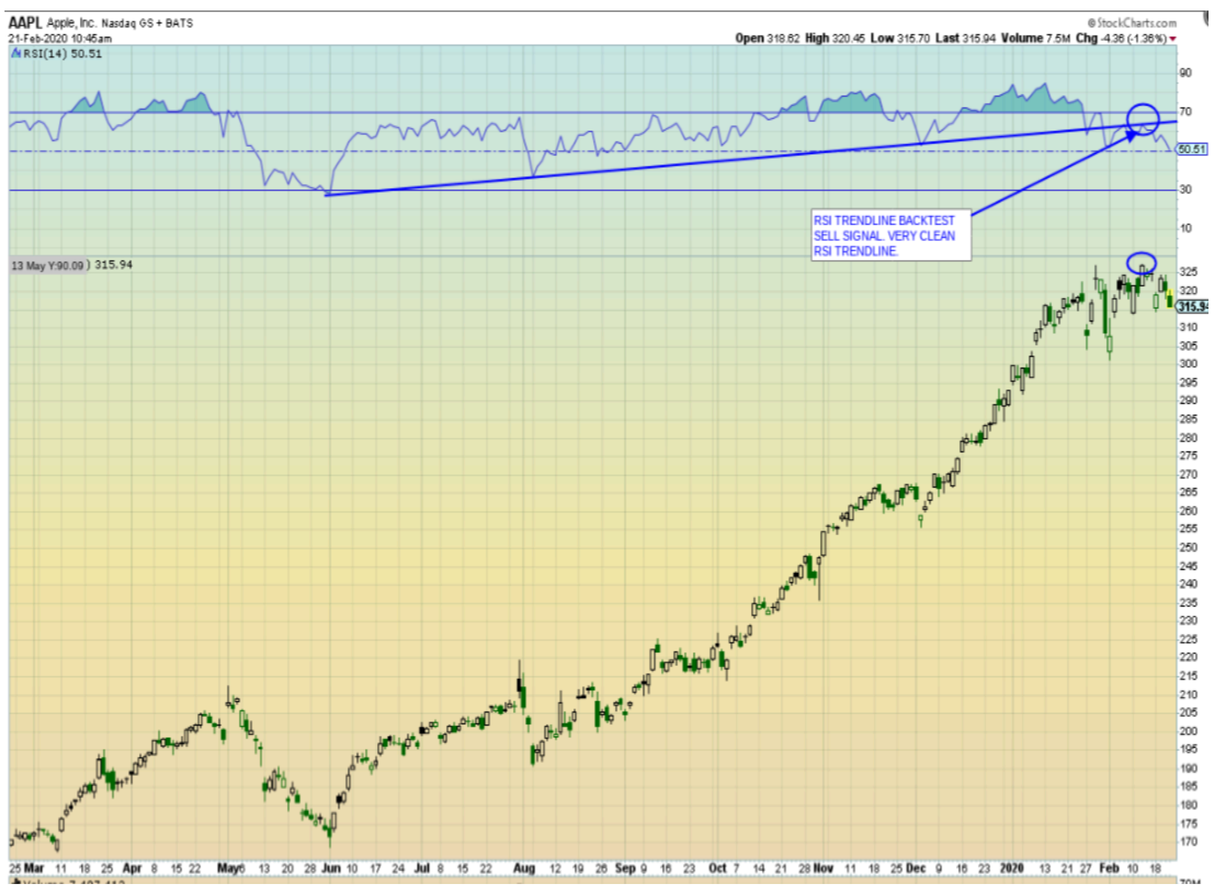


Jesse 11:35 AM

At some point, we should have a -700 point NASDAQ down day. We'll see.



AAPL DAILY RSI BACKTEST



AAPL VS. THE 200 WMA
*This is insane guys.

MSFT VS THE 100 WMA

2 consecutive reversal candles on the weekly for MSFT.


MSFT Microsoft Corp. Nasdaq GS + BATS
©StockCharts.com
21-Feb-2020 10:55am Open 185.10 High 188.18 Low 178.23 Last 180.59 Volume 110.2M Chg -4.26 (-2.30%)
MSFT (Weekly) 180.59
MA(100) 121.58
180.59
121.58
09 Jul O: 99.08 H: 102.94 L: 98.55 C: 102.77 V: 108,886,752 Y: 182.64
19 F M A M J J A S O N D 20 F

NASDAQ 100 VS. 150 WMA


$NDX Nasdaq 100 Index INDX
©StockCharts.com
21-Feb-2020 11:02am Open 9567.28 High 9736.57 Low 9467.91 Last 9497.86 Volume 1.7B Chg -125.72 (-1.31%)
$NDX (Weekly) 9497.86
MA(150) 7066.60
9497.86
7066.60
9700
9600
9400
9300
9200
9100
9000
8900
8800
8700
8600
8500
8400
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M A M J J A S O N D 18 F M A M J J A S O N D 19 F M A M J J A S O N D 20 F

2/24/20

The Economist

How to prepare for a pandemic

Shoot-to-kill in the Philippines

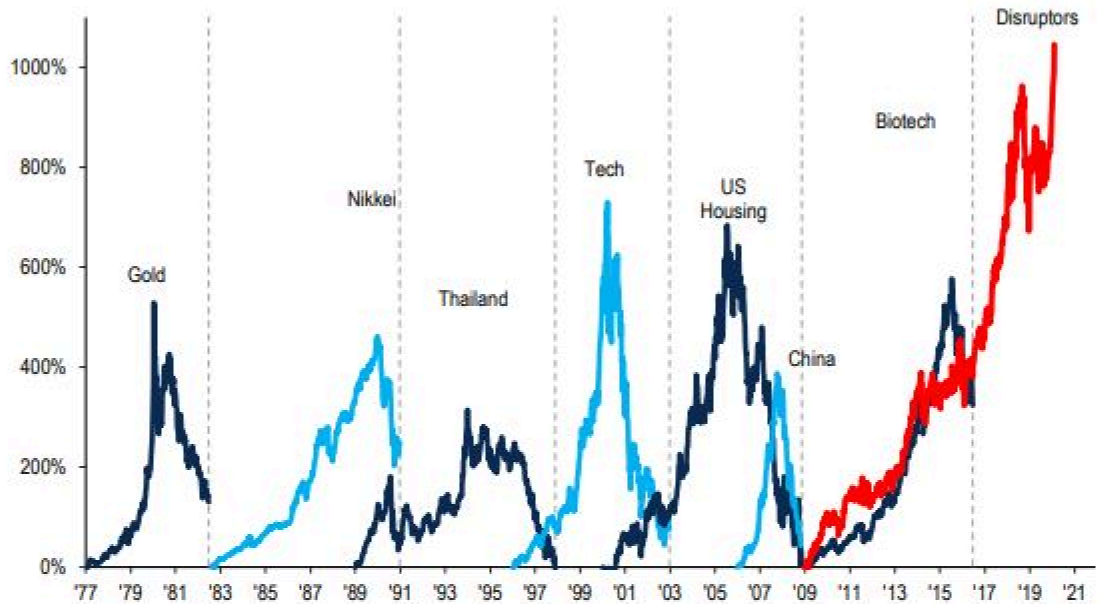
Why the Bundesbank should relax

Progress in the search for ET

FEBRUARY 22ND–28TH 2020

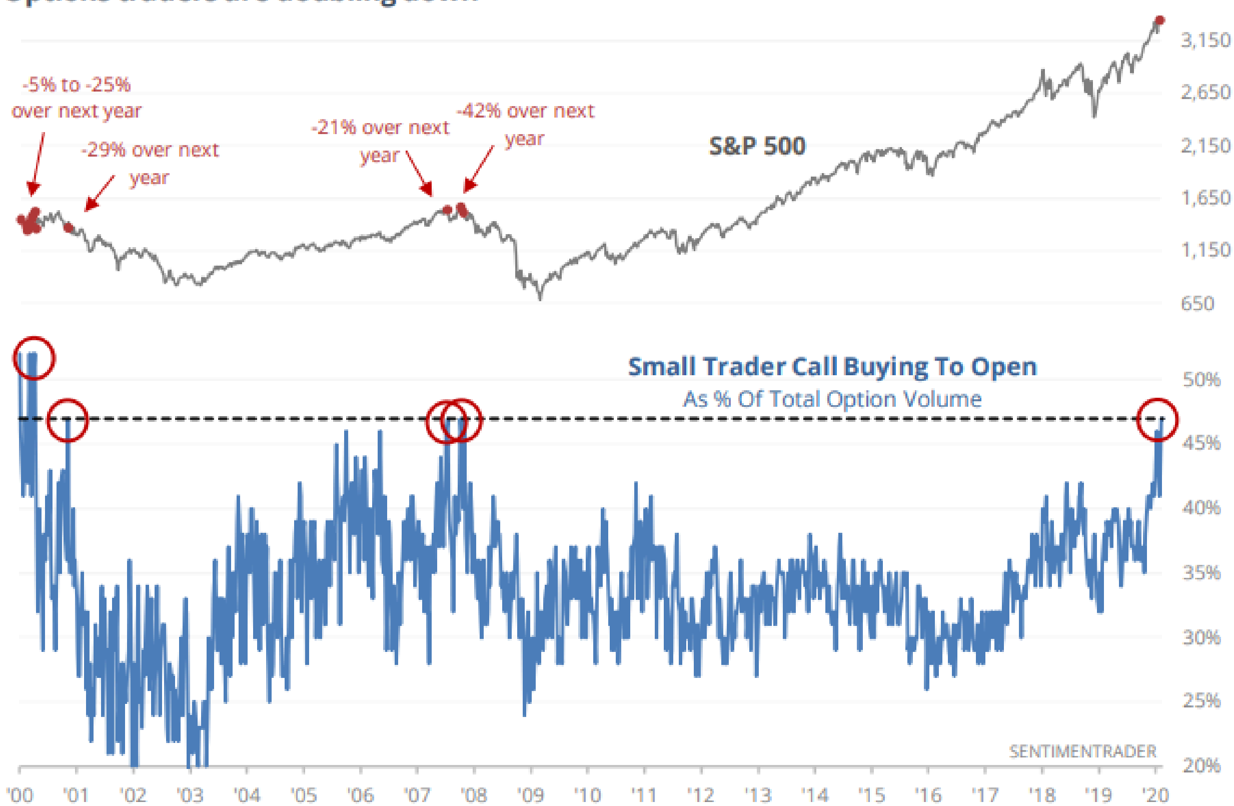
Big tech's $2trn bull run

Chart 2: History of asset bubbles past 40-years



Source: BofA Global Investment Strategy, Bloomberg. Note: Gold (XAU Curncy), Japanese Equities (NKY Index), Thai Equities (SET Index), Tech (NDX Index), US Housing (S5HOME Index), Commodities (SHCOMP Index), Disruptors (DJECOM Index + NYFANG Index constituents, equal weighted)

Options traders are doubling down



“Fed's Clarida Says It's Still Too Soon To Speculate On Whether Coronavirus Will Lead To A Material Change In U.S. Economic Outlook”

Really?

At some point down the road, I may decide to step in front of the steamroller and swing hard at a potential home run short-term rebound trade. Before adding risk, in such an environment, ***I want to see dumb money bullishness rotate to EXTREME bearish levels (they’re STILL moderately bullish), smart money rotate to EXTREME bullish levels, the long-term put/call ratio moving up substantially (perhaps not needed for a short-term trade), an oversold NASI, a flurry of insider buying, the % of stocks above 200 day moving average in the gutter, an EXTREMELY oversold SOX etc..***

But most importantly, to get me really excited, ***I want to see EXCEPTIONAL values. Earnings winners down 75% from their highs are not uncommon in big pullbacks as fundamentals are thrown out when investors NEED to raise capital***. Fortunately earnings winners are the ones that have by far the largest upside potential in a market reversal.

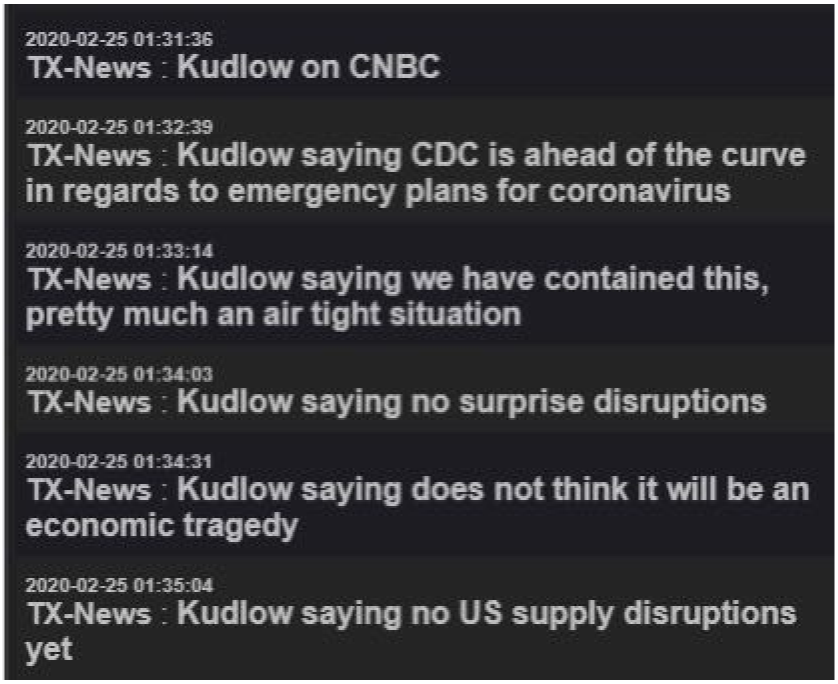
I want to see tons of great individual stock setups before I get excited about any individual rebound play.

I want to see indicators showing optimism completely in the gutter.

Thinking out loud for a second, it seems as if the Coronavirus is priced into China but likely NOT for the rest of the world. ***We may need to see a significant outbreak in the States before a lasting bottom can be made. As of today, officials continue to deny the threat. The market knows better than to believe the government.***

No worries folks. “Pretty much air tight situation”.

Once again.........really?



Given the parabolic nature of the market, there aren't levels of support anywhere close. If stuff hits the fan, here are a couple of levels I'm looking at for AAPL and the NDX.

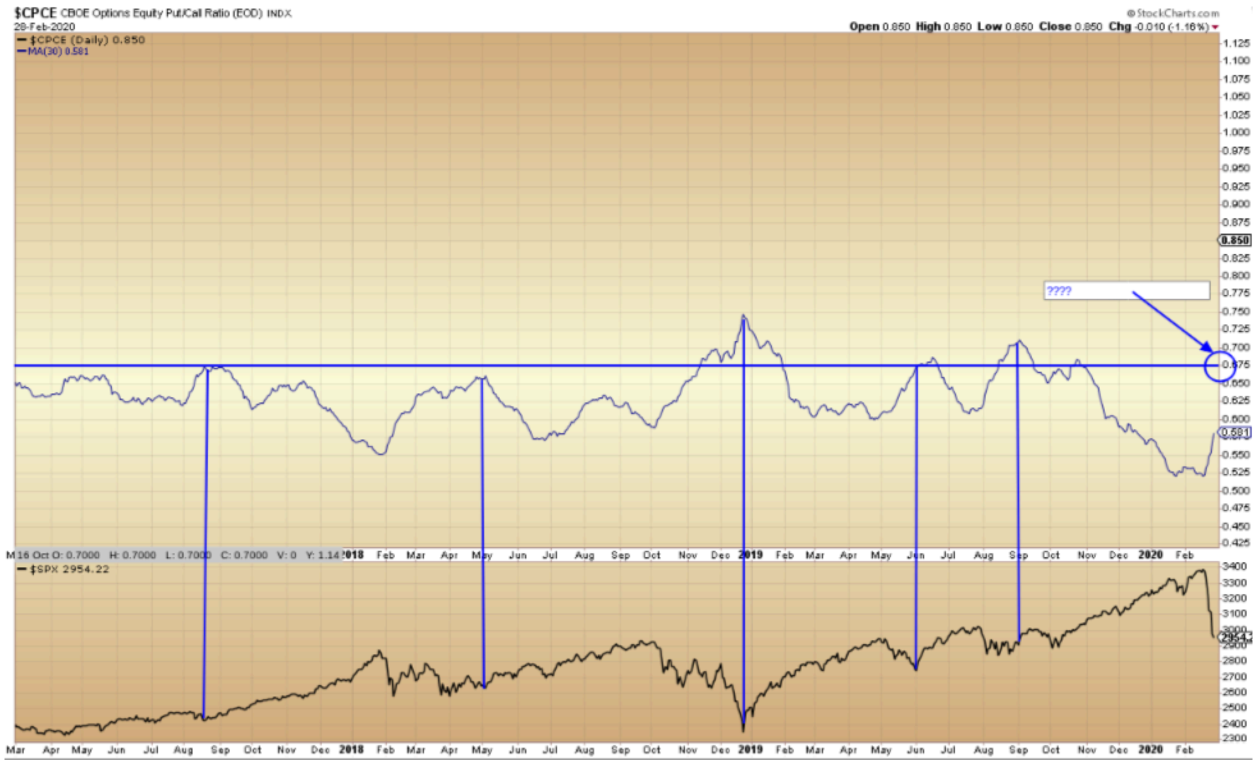
AAPL

TODAY

3/1/20

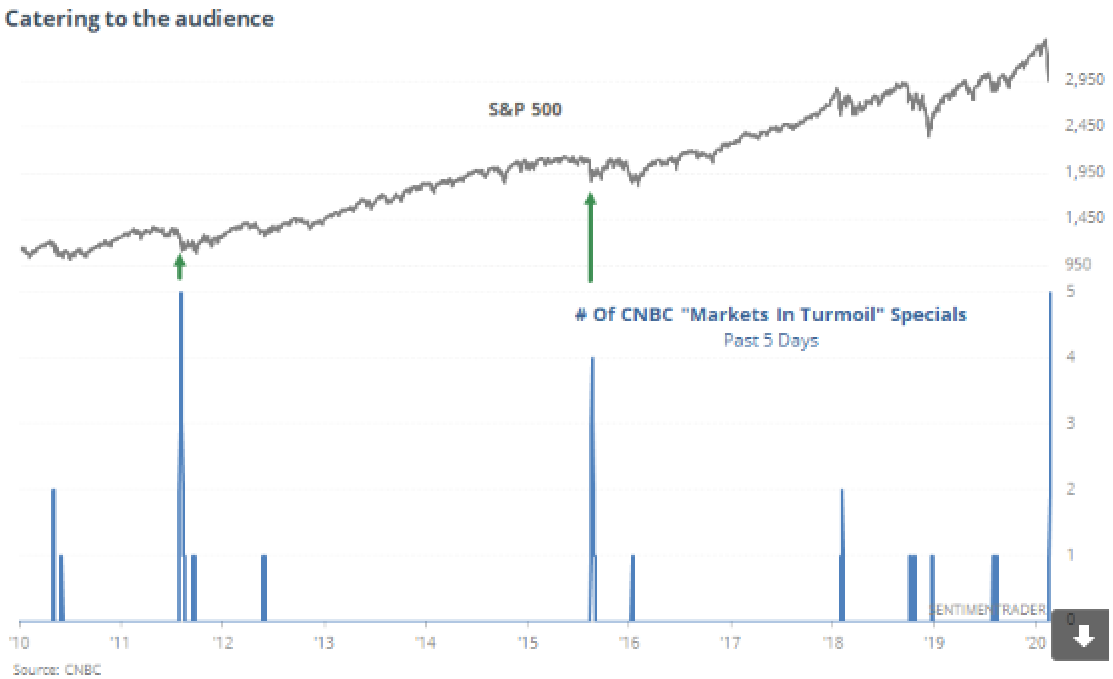
Fast forward to today. March 1st, 2020 and the extremes we've witnessed are certainly unwinding fast. Am I ready to jump in and get super aggressive on the long side? Not really.

Perhaps more than anything else, I'd like to see a push higher in the 30 day moving average of the put/call ratio signaling longer-term fear and downside protection. Here's an update to the chart I posted on Twitter a few weeks ago. I'd like to see a move up to +/- the 0.675 level.

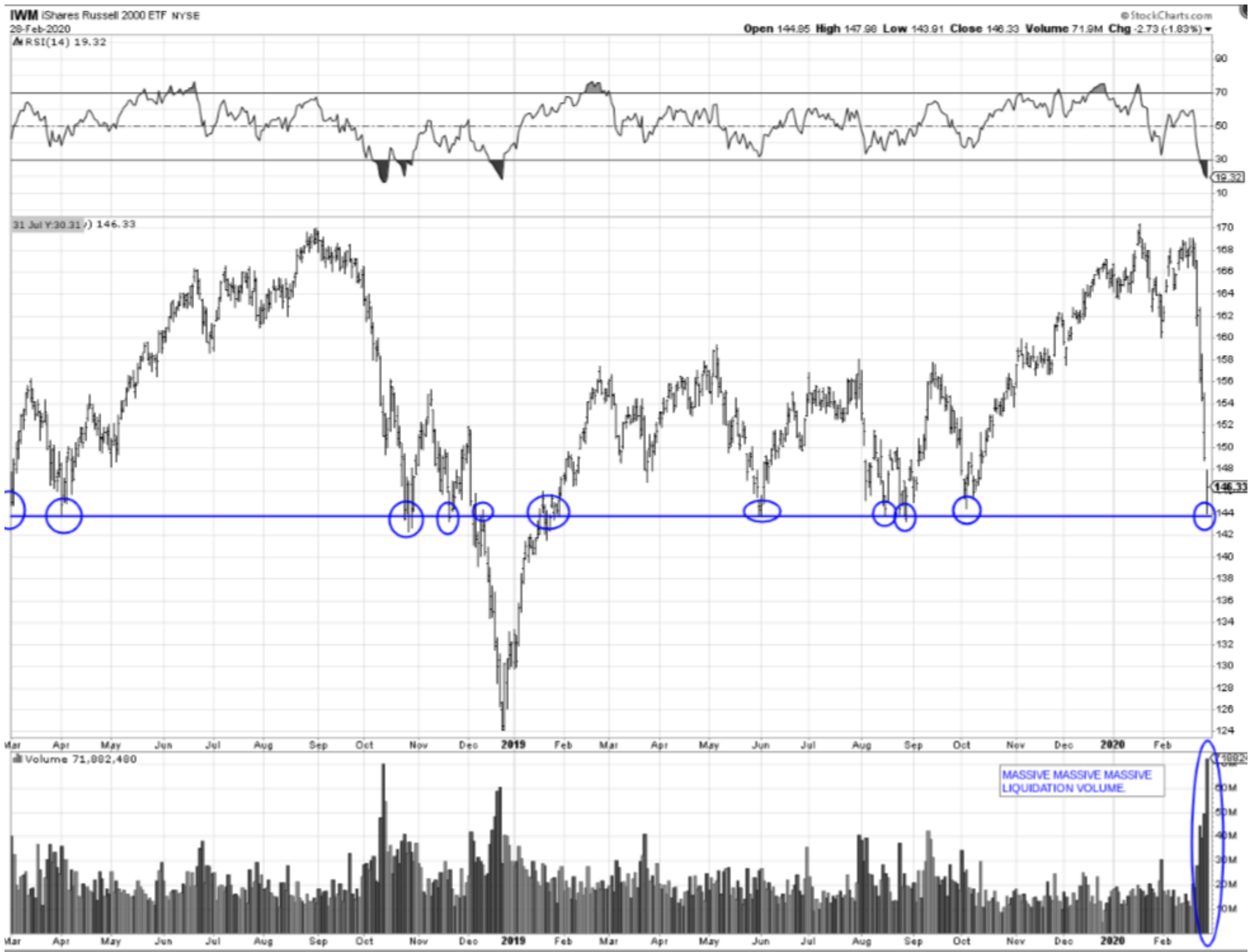


In the short-term, the market certainly looks like it could have a multi-week rally higher, especially after Friday's late day reversal and hammer candle in the NASDAQ. I'd be shocked if the Fed didn't juice markets in the short term with a rate cut or two. I may make a short term trade or two, ***but I'm not going to make any big bets on a sustained rally just yet.*** When a market cracks as hard as it did last week, there are often 2 down weeks followed by chop and an eventual ***retest of the lows***. So, I want to be ***patient*** and see how things develop over the coming weeks.

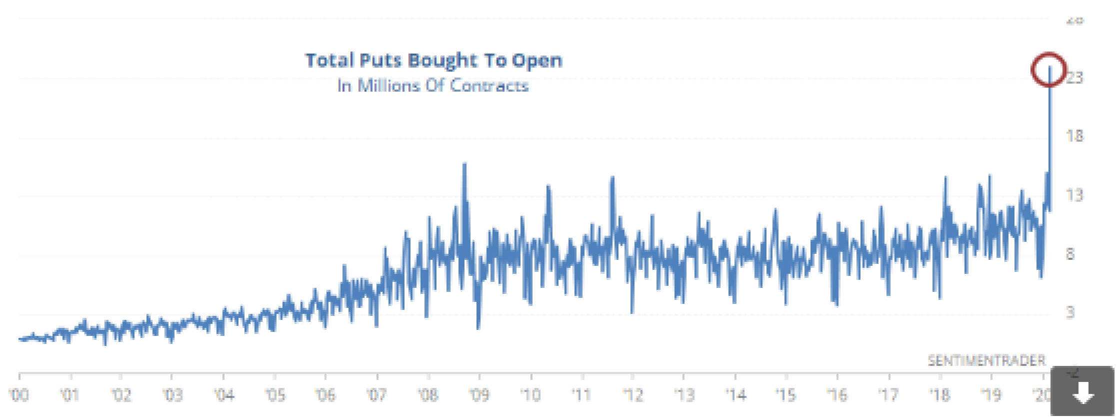
We got 5(!) “Market in Turmoil” specials last week. This has happened twice before. Note the retest of the lows 4-12 weeks later.



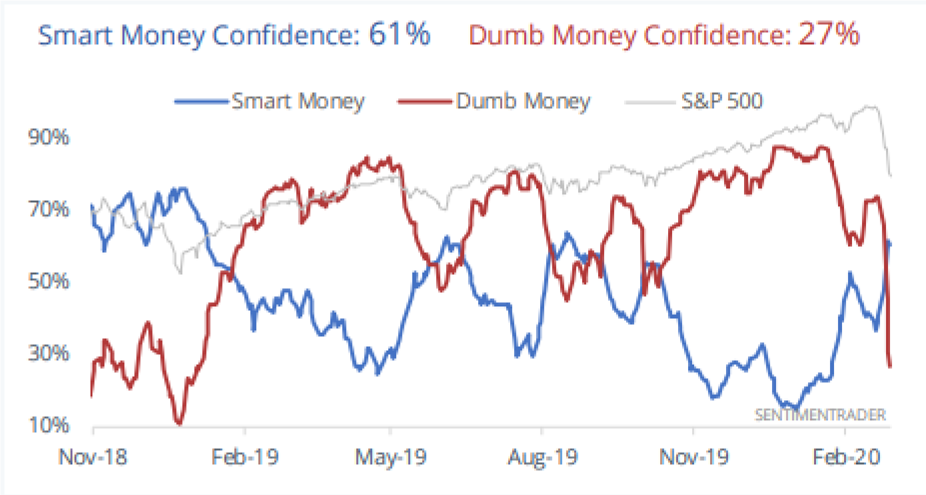
This is the MACK-DADDY line in the sand that I’m watching. Small caps are now lower than they were 2 years ago. This chart leads me to believe that we may rebound immediately and may NOT see a 2nd down week. If we trade below this line, ALL BETS ARE OFF.



Investors rushed into puts last week. All-time record. However, they also bought a large # of calls….



Here's the dumb money/smart money bullishness. It would be ideal to see the smart money above 70%. Maybe we'll get that on an eventual retest of the lows?



Here's a good chart of the 1987 crash. Notice that the decline took 15 sessions and there was a textbook retest 5-6 weeks later.

Whether the Coronavirus death rate is 0.1%, 0.5%, 2% or whatever it may be, the fact is that this is the first market crisis in several years that should have a significant effect on corporate earnings. Corporations are cancelling events left and right. Large gatherings worldwide are being cancelled. Will we start to see sporting events cancelled in the States? NBA? Schools are closed for a month in Japan. Same in China. 100% of flights to/from China are cancelled. United said that 75% of transpacific flights are cancelled. If flights to/from Europe are restricted, forget about it.

Corporations are now restricting domestic travel for their employees. Leisure travel bookings have plummeted. Internet companies like Weibo (Twitter of China) have issued Q1 guidance of revenue down 15%-20% year over year. And analysts still expect flat to modest growth for the Chinese economy. Really?

My hunch is that we will need to see a tsunami of Q1 negative pre-announcements before the market can price this global Zombie Apocolypse in.

I'll continue to watch AAPL, MSFT and the other Trump "MAGA" stocks... as when they sneeze, the rest of the global market gets the flu. I'll also continue watching the SOX as I'd like to see it ridiculously oversold. Most importantly, I'll watch my favorite earnings winner stocks to see if they all start to form low risk entries together as we move forward.

Let's have a look at some monthly charts.

The monthly reversal candles for February are historically EXTREME to say the least.


MSFT Microsoft Corp. Nasdaq GS
© StockCharts.com
28-Feb-2020
Open 169.97 High 190.18 Low 152.00 Close 162.01 Volume 887.0M Chg -7.76 (-4.57%)
MSFT (Monthly) 162.01
162.01
03 Jan O: 59.33 H: 62.28 L: 58.54 C: 61.09 V: 523,254,848 Y: 186.37
2017
2018
2019
2020

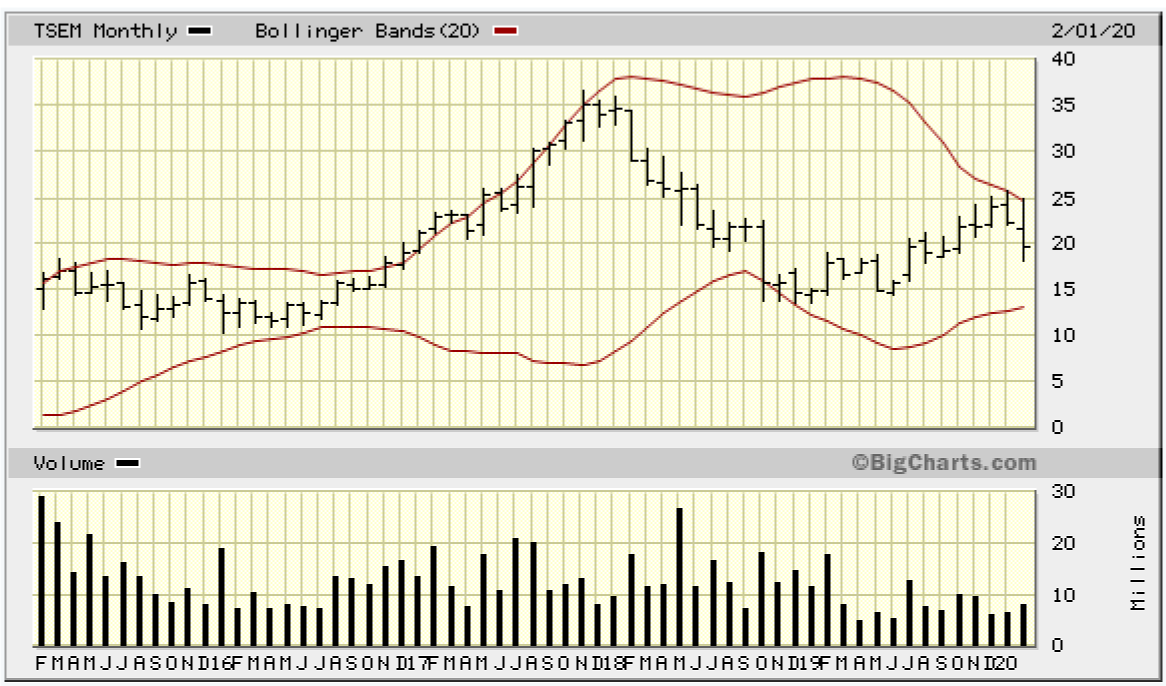
MONTHLY BANDS

Here are some cool monthly bands as we head into March.

Pretty much any stock or index that had a long climb into its upper monthly band was rejected violently.

Italy.

Tower Semiconductor

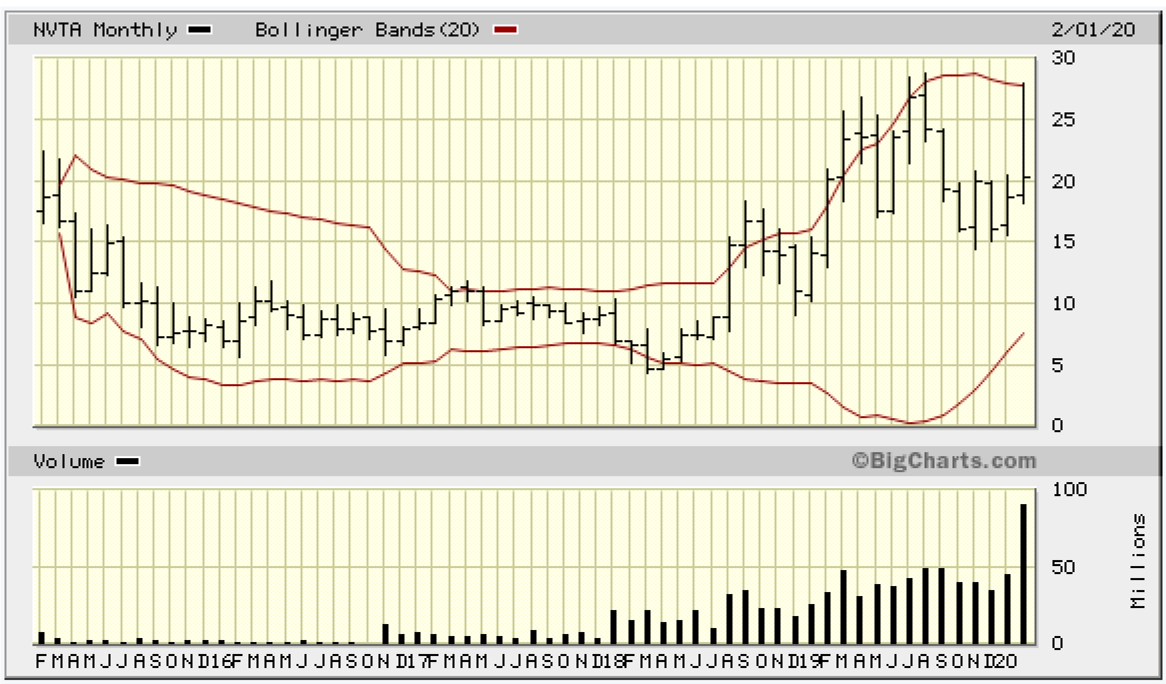


EUROPE ETF

PATRICK INDUSTRIES

LITHIUM ETF

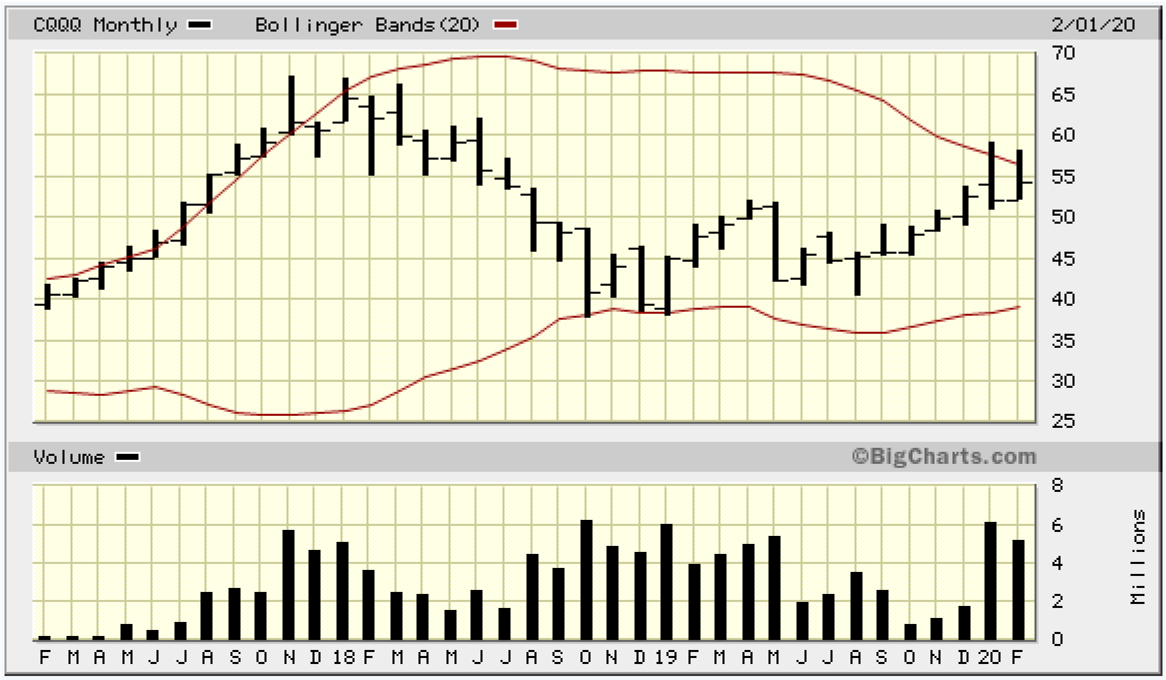
INVITAE



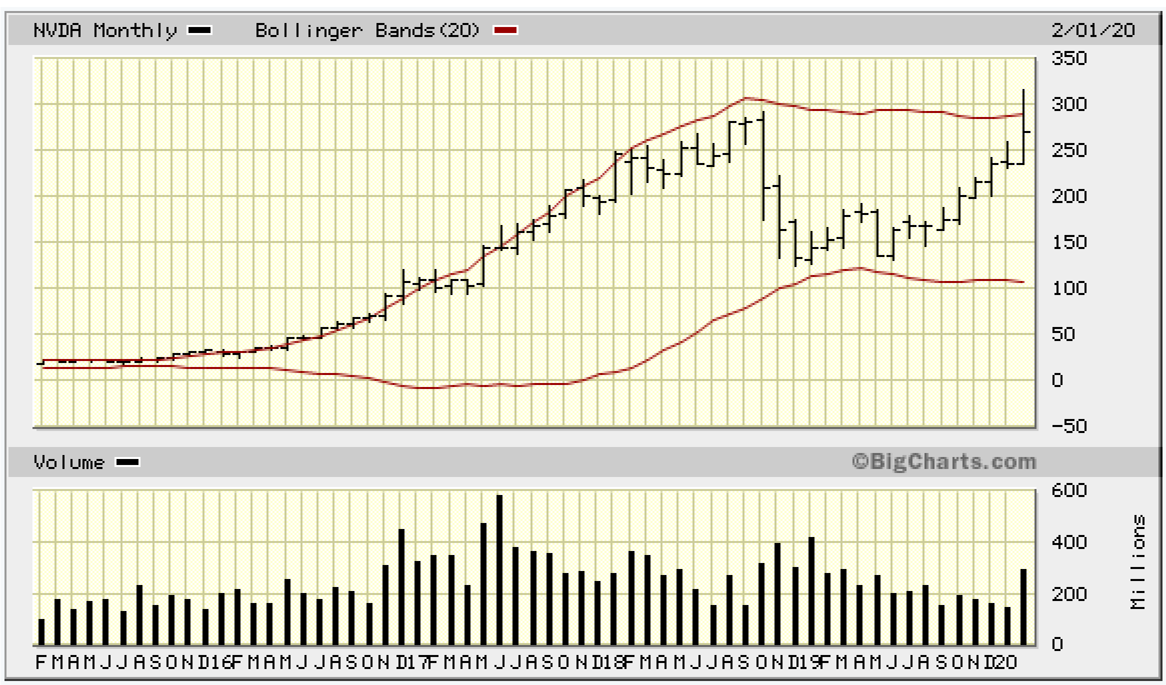
VICOR

Will BABA be able to power past its upper band??

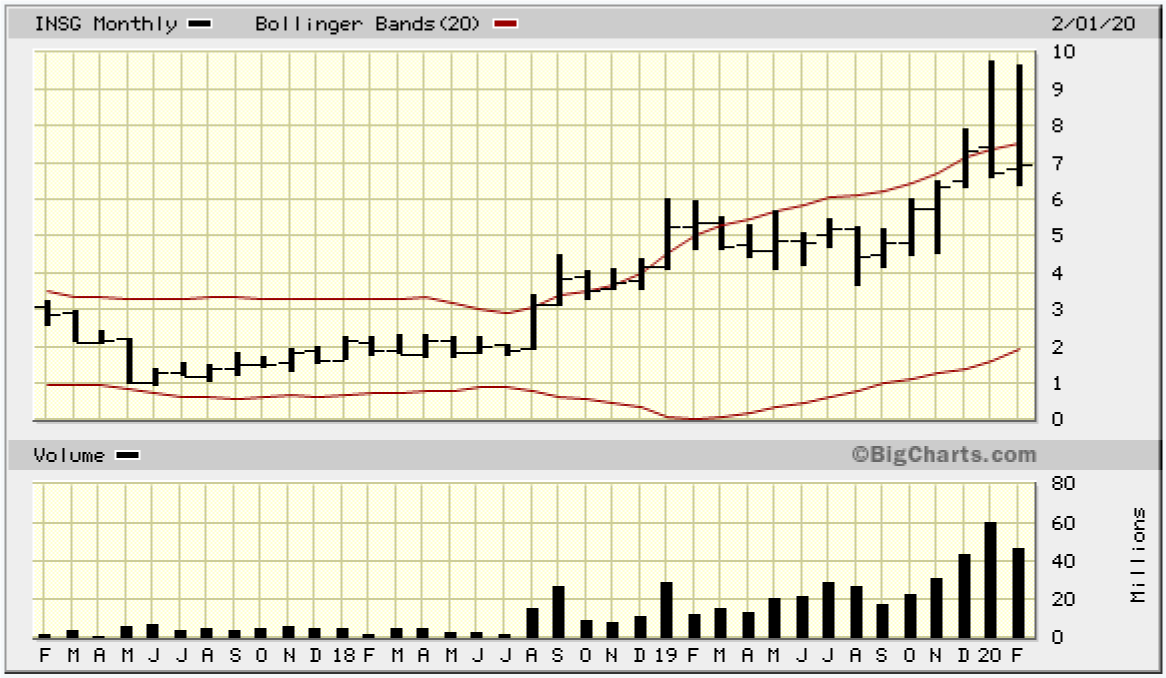
China tech ETF?



NVIDIA



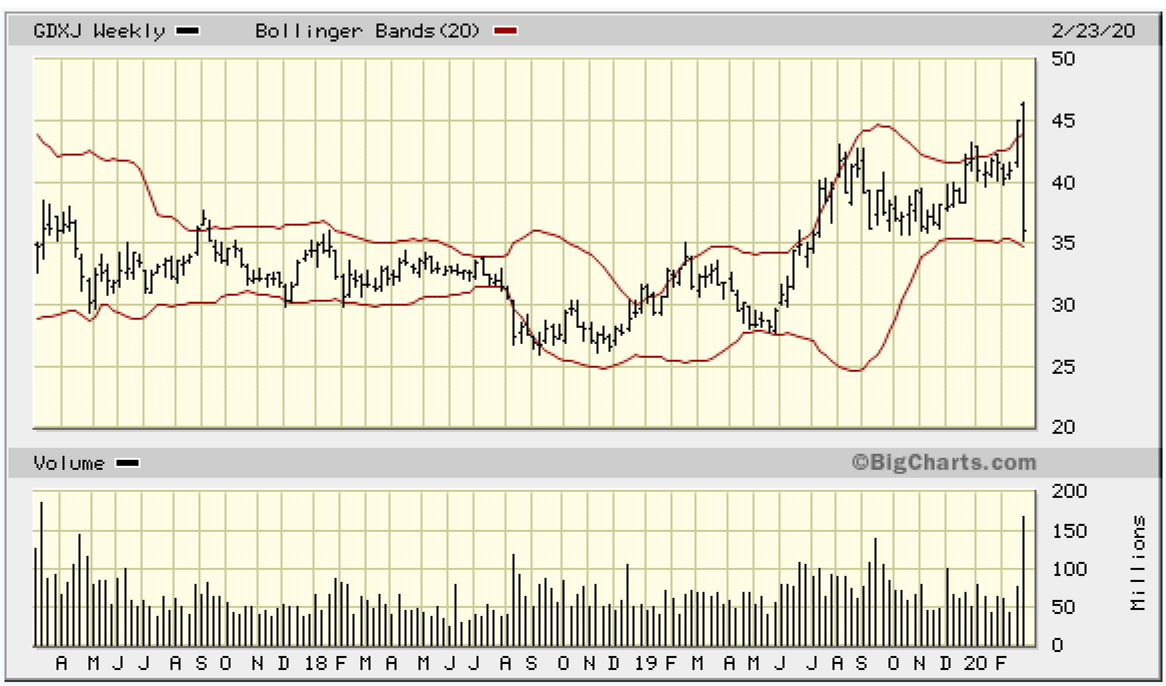
Inseego



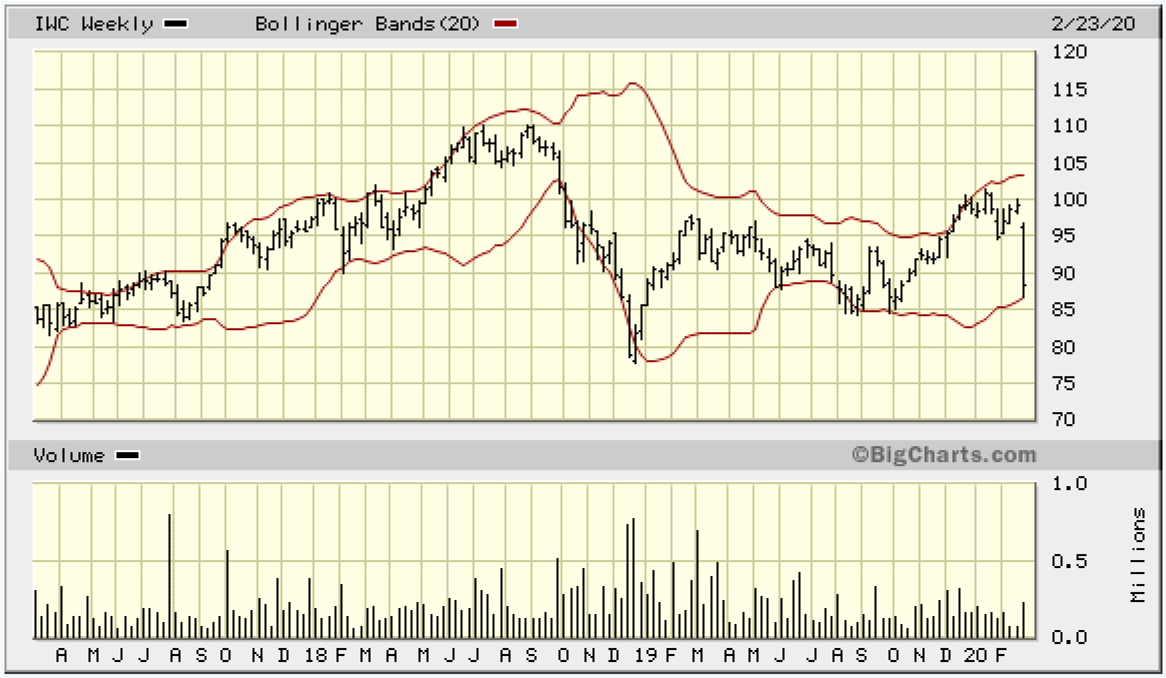
Here are a few stocks and indexes that hit their lower monthly bands.

Teekay Shipping

GOLD MINERS



MICROCAPS :)


IWC Weekly
Bollinger Bands(20)
2/23/20
120
115
110
105
100
95
90
85
80
75
70
Volume
©BigCharts.com
1.0
0.5
0.0
Millions
A M J J A S O N D 18 F M A M J J A S O N D 19 F M A M J J A S O N D 20 F

SOFTWARE


PSJ Weekly
Bollinger Bands(20)
2/23/20
110
100
90
80
70
60
50
40
Volume
©BigCharts.com
800
600
400
200
0
Thousands
A M J J A S O N D 18 F M A M J J A S O N D 19 F M A M J J A S O N D 20 F

“Market drawdowns are only painful when you don't have cash to take advantage of them. When you have cash you have confidence. When you don’t have cash you are just like everybody else. Always have some cash on the sidelines.”-Ian Cassell

Have a great Sunday everyone!

Jesse

Jesse