Market Update

Wealth COACH Financial Services Inc.
(614) 734-9584

From: Mike Sullivan
Date: October 28, 2015
Subject: Currency Wars Reveal the Fiction

On August 12th, we published a Market Update focused on the currency moves by China, extreme moves in the Currency Wars that have percolated for years. To date, they have been largely unnoticed by American Consumers. But for their grocery bills not quite meshing with the story line being fed to us, it might not matter. But, with health premiums and rents skyrocketing, we seem to be at a tipping point. Importantly, for investors, it seems we may have at least reached the financial point where the fiction being fed to us by the government, Wall Street, and the Fed can no longer maintain the deception in the numbers.

As we roll into today's 'Fed Meeting', the Fed is boxed into a corner wherein they either raise rates as they have said they will do (despite being expected to do so today by precisely zero economists), or they admit they cannot raise rates and their policy actually does very little but raise asset prices. They will almost surely do the latter. The European Central Bank last Thursday announced they would likely provide more stimulus in December, and the People's Bank of China did the same last Friday.

Just like in August, the major stock indices are being lifted and supported by just a handful of large company stocks which mask their weakness. Meanwhile, just like in August, under the surface vast weakness is observable. Once again, roughly two-thirds of stocks are beneath their 200 day moving averages, or in layman's terms, in long term downtrends that are otherwise defined as bear markets:

In our Update on October 1st, we expected we would see a decent bounce in the markets. We also suggested investors use that time to think about lowering risk by reducing exposure to stocks.

Viewing the chart above, please note two important observations: 1) the S&P 500, represented by the green and red 'candles' has climbed back into the range in which it meandered from *last* Thanksgiving until August, and 2) as represented by the red line, the number of stocks within those 500 that are trading *above* their 200 day moving averages *are fewer* than they were in August when we suggested everyone get ready to duck.

As stated October 1st, a bounce might in turn do two things: 1) lure retail traders into the markets to help push prices back upwards, (while lulling other retail investors like retirement plan participants into holding stocks) and 2) give professional 'smart money' investors a chance to bail at higher prices. As the saying goes 'they don't ring a bell at the top', but often times they leave clues … as in the pros bailing out. This may be one of those times. We suggest any 'pop' after today's Fed decision may be an opportunity to lighten up risk. Please call us if we can be of assistance: (614) 734-WLTH (9584).