Market Update

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From: Mike Sullivan
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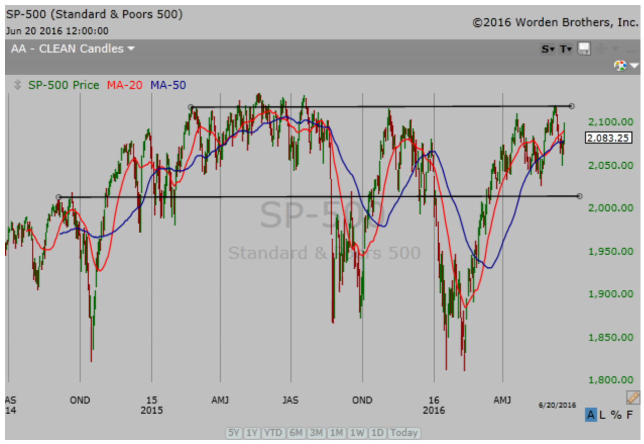
Subject: Out of Ammo?

Well, our last Update from June 3rd could not have been any more 'on the money', could it? ***Since Labor Day of 2014*** major stock indices have gone ***nowhere***. 2014 itself was a very modest year for the markets, 2015 was one of modest losses in general, and 2016 has likewise *gone up, down, up down … nowhere.*



2 Year Range

In fact, the *only* times stocks have gone anywhere of note were those few occasions where Wall Street beat them down to extort more easy-money out of the Federal Reserve. Other than that, as you can see in the above chart of the S&P 500 index, we have been trapped in a 2-year range that began back in September 2014. In our view, there is a strong possibility that this market rally will end the way Wall Street ends most of its rallies: the top of this long range will be 'breached' creating a last gasp of excitement, then, markets will roll over hard to the downside. This 2-year range meets the duration requirements for a major top from the 2009 climb. More importantly, the range has likely been created by big players and used to sell off the shares they bought on the way up, as they did the Fed's bidding to increase prices. We do not know for sure of course if this is 'the top', only time will tell us that, but it sure does meet the smell test.

What we do know full well is that our very long-standing criticism of central banks, in particular the Fed, has now been joined by a spiking number of very prominent, very successful money managers. In this growing crowd are some names that might be familiar to you, all of whom you have read about here if you have been with us a while. They include: Carl Icahn, George Soros, Stanley Druckenmiller, Jeff Gundlach, Bill Gross, David Kotok … and many, many others. These major investors are likely part of the 'Smart Money' that has been selling stocks for 18 straight weeks, as we covered in our June 3rd Update.

This sudden emergence of very visible and vocal critics is likely occurring for several reasons:

1. They have likely *sold* most of their stock shares into the 2-year range.
2. They are now on the record warning about a market decline (that is how they built their reputations)
3. The monetary policy of central bankers has become increasingly insane, including that of the Federal Reserve which has as much admitted they have no idea what they are doing: They may either 1) raise rates just so they can then turn around and lower them when things crash, or, 2) they may 'drop money out of helicopters', a polar-opposite (not to mention alarming) action.

The helicopter reference is of course not literal, but rather refers to a theory put forth by Milton Freidman and embraced by former Fed Chairman Ben Bernanke where the central bank, at the point all else fails, can drop money into the hands of the peasantry so they would then go spend it and drive prices upward. In today's instant-meme age, such a concept quickly translates to amusing images of 'Helicopter Ben':

The only problem is … it’s not really amusing at all.

The reality is that money-printing policies are *failing* … across the globe. Worse, as the central bankers lose their credibility, they also seem to be losing their marbles as demonstrated by a European Central Bank Governer (who is also the head of the Ukranian Central Bank) who recently announced: ‘We Are Magic People!’ … er, right Vitas.

We thought that was pretty wild until current Fed Chairwoman Janet Yellen, taking a question after the Fed decided to once again not raise rates on June 15th, indicated the Fed was going to keep the helicopter money concept in play, in her words, ‘keeping all the tools in our tool box’ ,,, er, right Janet.

Given 1) the potential for this range to be a major top, 2) the potentially very limited upside reward relative to downside risk, 3) the increasing pace of failure of central bank policies, 4) the border-line insanity of the central bankers themselves, we see little reason for most investors to be positioned for maximum growth here. Tomorrow, June 23rd, the UK will vote whether it wants to remain in the European Union or exit, termed ‘Brexit’. We suspect, a vote to stay may be just the catalyst the market players are looking for to breach the top of the 2-year range. Looking at the real economy and central bank lunacy, we suspect it will not last. A big move is likely coming and June 23rd may just be the spark.

<u>20 Year Chart of S&P 500</u>

Does trajectory look natural?! Does it look like it should continue without helicopter support??

If your only assets are in a ‘self-directed’ retirement plan, it is almost surely time to pay attention. It may also be time to brush up on how non-dollar cash and precious metals alternatives work, too. Visit our website for links to [current articles] or to brush up on prior [Market Updates]. As always, we can be reached at (614) 734-WLTH (9584)