Market Update

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Subject: Holiday Party

You just watched the Second Quarter end precisely the same way the First Quarter did: with a central bank manipulated rescue program. You've also seen the now-regular Holiday Rally (or Rescue) wherein stock markets seem to either rally hard into every holiday cook-out, or to rescue us from any preceding decline. And, importantly, you have seen the stock markets do precisely what we suspected they would do in our last Updates: embark on a big move, more likely two (up, then down).

Ironically, in their hubris as they step in to '*save the free markets*' by constant manipulation, the central bankers at the Fed, the Bank of England, the European Central Bank, the Bank of Japan and the People's Bank of China have essentially destroyed free markets everywhere. While the Wall Street machine piles into the new money printing escapades to stake their temporary gains (they will harvest their gains before the roll-over affects everyone else), confidence in these central banks by other market participants is crashing. We can't blame them. Every time throughout history, such central bank 'short-cuts' have ended in flames and tears. Nonetheless … onward we go.

We suspect markets may pull back into the week of the 4th (due to … pick a reason), but we think soon after we'll likely rally and even take out the highs before the reality of the Brexit sets in and we expect we may then roll over fairly hard. Again, timing the market can be a Fool's game, especially when your view is against the unlimited power, resources and manipulations of central banks … BUT, if they think they are smarter than all those central bankers who have come before them, we think they are by far the greater fools. This endless rally defies so many correlations it is impossible to count them anymore.

Despite these forced rallies, many economies *are* slowing down across the globe, including here in the U.S. In fact, S&P 500 company earnings have now retraced all the way back to 2012! Yet the S&P 500 itself is hanging around two year highs (which we expect to punch through)! Crazy, no?! BUT, note that the S&P has been ***trapped*** in a range dating all the way back to **Labor Day 2014** (another peak into a holiday cookout weekend that failed soon afterwards). The *only* times the S&P 500 has moved out of that 5% range in which it has been trapped is when it has been smashed to the downside by Wall Street as they've hammered stocks under the green line to intimidate the Fed (or give it cover) to back away from raising interest rates. Rinse, repeat. Just look!!! This time, we expect to pop through the top of the range, something that will be celebrated loudly. Time will tell if we are right. But, *everyone* should be able to see clearly now that ONLY central bank money printing lifts stocks anymore. PERIOD.

Source: Zerohedge

We also think last week's Brexit event (where the UK voted to leave the European Union) may well be the 'Bear Stearns moment' for this rally. Recall that Bear Stearns' collapse was the early warning in 2008 for what was coming. It spooked investors for a week or two, but then we curiously rallied on for a few weeks thereafter. Unfortunately, the public soon found out how big a problem we had.

We strongly suspect that Bear Stearns scenario may be a prototype for the post-Brexit relief rally. The Bank of England announced yesterday it would cut interest rates this Summer, expecting a slow-down in the U.K. And the ECB, moments later indicated it would be actively buying more securities in the 'markets'. Neither of those actions are borne from confidence in the future, they are borne from fear.

Our job is to make sure investors are aware of all of these issues and not on the wrong end when the fear can no longer be bailed out. If you are concerned about all of this hocus-pocus and the risks it may one day no longer work so well, do not hesitate to give us a call at (614) 734-WLTH (9584). In the meantime, enjoy the holiday and the cookouts. We will!