PRIVATE WEALTH ADVISORY
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Market Update: Technical Damage

Dear Subscribers,

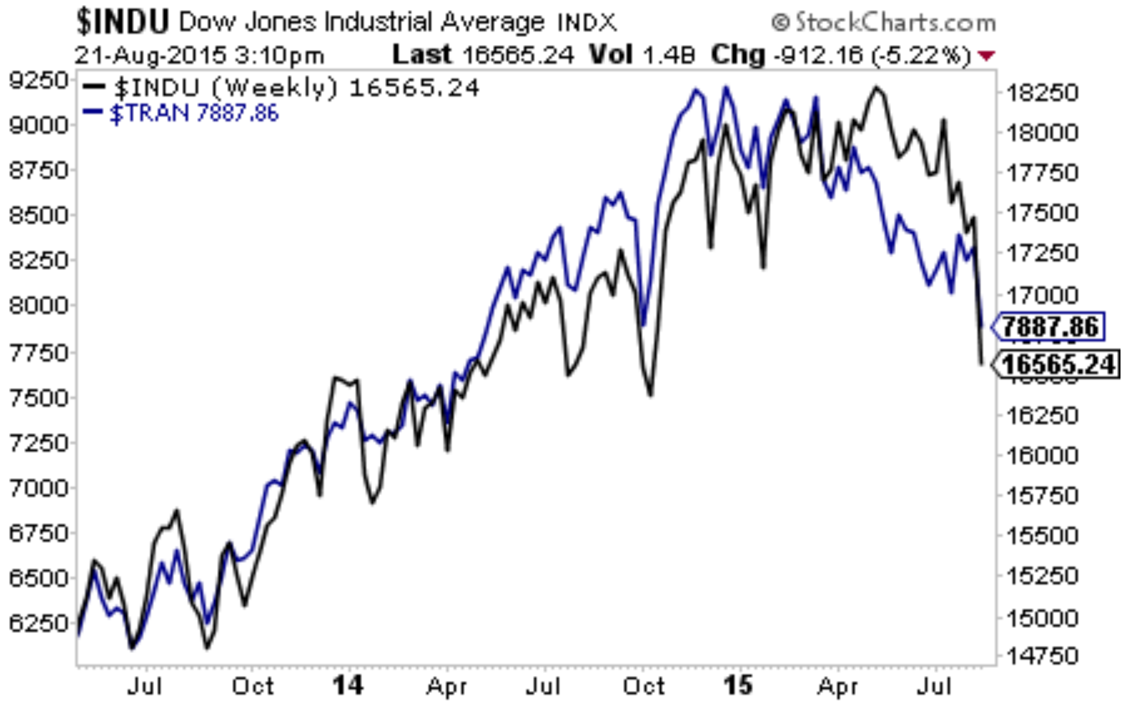
The technical damage of the last few days has been severe.

First, we have a confirmed Dow Theory "Sell Signal."

Dow Theory is a method for determining major changes in trend. In order for a "Sell Signal" to trigger, three things have to happen. They are:

1) Both the Dow Jones Industrial Index and Dow Jones Transportation Index stage corrections.
2) During the bounce, one or both of the indexes must fail to establish new highs.
3) After the bounce, both indexes must fall to new lows.

We had already experienced both #1 and #2 when the DJIA and DJTA corrected in February and the DJTA failed to establish a new high during its bounce. We now have #3 with both indexes falling to new lows.



Worse than this is the fact the S&P 500 has taken out both its 126-SMA and its 280-SMA for the first time since 2012. These have been two of THE most critical support lines for the bull market. And we've sliced through both like a hot knife through butter.

In the bigger picture, we also have a definitive break out of the bearish rising wedge pattern that dates back to 2009.

Below is the log-scale weekly chart for the S&P 500 since the 2007 top.

This is a MAJOR technical warning. It is quite possible that the bull market begun in 2009 is OVER.

It is too soon to say this with certainty. But unless stocks absolutely EXPLODE higher to regain 2,000 on the S&P 500 in the next month or so, the odds are that THE top is in.

At that point the markets will begin to work their way down into a bear market. How this plays out depends on two things:

1) If the Federal Reserve intervenes in the market with a new monetary policy (likely QE).

2) If the markets REACT to said intervention.

#1 is an absolute certainty if the markets fall hard enough. #2 is an uncertainty. When China's stock bubble burst a few months ago, the Chinese regulators reacted by freezing the markets, banning short-selling, arresting short-sellers, and pumping tens of billions of Dollars into the market.

Despite this, Chinese stocks continue to crater.

This is an absolute first: stocks NOT reacting to Central Bank intervention. And it signals that we may in fact have reached the point at which Central Bank interventions no longer "save" the markets.

If this has happened, and the investment world has reached the point at which it no longer has faith in Central Banks' abilities to prop up the markets, then THE major crisis of our lifetimes is here.

It is too early to say that this is the case. We will have to watch the markets and make adjustments as things progress, **but for now I want to stress that collapses do NOT happen all at once.**

This process will take time. Even if the markets implode 20% right now, there will be sharp bounces. When the Tech Bubble burst, stocks were an absolute ROLLER COASTER with more than EIGHT price swings of 16% or greater in the span of a year.

It is easy to get carried away with what has happened in the last few days. But stocks have a LONG ways to fall in the coming weeks and months as the below chart shows. Stocks would need to fall 25% just to get to their long-term bull market trendline.

There is no real point in opening any new positions today with the weekend looming. Central Banks could stage any number of interventions in the next three days.

However, I wanted to get an update to you about the significance of what has happened this week. If this mess continues next week, it will be time to start opening some US-based UltraShort ETFs.

I am watching the markets carefully. Do not panic. We are well positioned for what is coming and if in fact THE top is in, I will have a bunch of new positions to you shortly.

Enjoy your weekend…

Best Regards

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