

## Morning Tack - "The 10% Solution"

So yesterday morning I was a key note speaker at the Tampa Economic Forum in front of about 500 participants. The presentations kicked off with Rick Kriseman, who is the mayor of our city of residence, Saint Petersburg Florida. His words were inspiring. Next up was the mayor of Tampa, Bob Buckhorn, who gave a spirited delivery about how both parties need to work together. His closing line was "Never give up!" It reminded me of a mantra from one of my mentors from five decades ago that went like this, "Never say never. Never say always. Always reevaluate, and never give up." The mantra has gotten me through some pretty tough times, so I thought I would share it with you this morning.

Following the mayors was Andrew Wright, CEO of the real estate and financial services firm Franklin Street. His presentation on our local real estate markets was eye-popping since we live in one of the fastest growing areas in the country. Next was Wells Fargo's chief economist Mark Vitner. I was the "clean-up batter" delivering the same message since the majority of stocks bottomed in October 2008.

Returning to the opening quote from our friends at the astute Bespoke organization, the entire quote goes like this:

"After declining over 19% in the span of just three months, the S&P 500 has come roaring back and is now on pace for a 10% gain in just ten trading days (see chart). Since WWII, there have only been twelve other declines of 15%+ within the span of three months that were followed immediately by a 10%+ gain in ten trading days or less. Going forward, equity returns were generally positive, and in half of these prior sharp bounces off of 15%+ decline, the S&P 500 never made a lower low within the next year."

That said, the ten session rally has seen the McClellan Oscillator go from an extremely oversold condition to an extremely overbought condition for one of the fastest moves on record (Chart 2). When this has occurred before there has tended to be a short-term "give back," but over the next year returns were substantial. Does the potential for a short-term pause/pullback change our sense that we are into a buying stampede? Not really. In the typical stampede there tends to be 1 – 3 session pauses/pullbacks. As for the ubiquitous call for a retest of the December lows, while history suggests that would be the historical chart pattern, we don't think it plays that way this time.

This morning the preopening S&P 500 futures are off 13 points at 4:37 a.m. likely because the hope/expectation/pleading for positive news on a U.S.-China trade deal is probably over until the next negotiations are on the horizon.

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... Bespoke Investment Group)

U.S. Markets	Close	Net	1 Day % Chg	YTD %
Dow Jones	23879.12	91.67	0.39%	2.36
Dow Jones Transports	4757.32	63.03	1.34%	3.30
Dow Jones Utilities	707.29	-4.14	-0.58%	-0.79
S&P 500	2584.96	10.55	0.41%	3.12
NASDAQ	6957.08	60.08	0.87%	4.85
Russell 2000 (Smallcaps)	1438.81	12.25	0.86%	6.69
BKX (Banking)	90.42	0.76	0.85%	5.40
Biotech	4688.87	45.01	0.97%	11.09
XOI (Oil Index)	1254.82	22.78	1.85%	8.26
SOXX (Semiconductor)	1189.84	29.30	2.52%	3.00

Key Commodity Prices	Last	Net	
Crude Oil WTI (NYM \$/bbl) Continuous	51.970	-0.37	
Gold (NYM \$/ozt) Continuous	1294.900	2.90	
Silver (NYM \$/ozt) Continuous	15.775	0.04	
United States Dollar Index	95.321	-	
Market Valuation	2017	2018E	2019E
Consensus S&P 500 EPS	\$132	\$161	\$172
P/E	19.6	16.1	15.0
Treasury Yields	90D	10 Yr	30 Yr
	2.44	2.73	3.03

Source: FactSet. Data as of 1/10/2019 at 6:30 a.m.



Source: Bespoke Investment Group

Chart 2



Source: SentimenTrader

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\* Columns may not add to 100% due to rounding.

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