Market Badger Don't Care

Here's the TL;DR on yesterday's FOMC:

- ➢ Trim monthly UST & MBS purchases by $20 & $10bn
- ➢ "Transitory" language officially dropped
- ➢ 22' Dots raised from 1 to 3 expected hikes

A surprisingly hawkish meeting even for those who were expecting a surprisingly hawkish meeting. Here's how some of the key markets traded post FOMC.

SPX up. USD with a hard reversal down. Both bitcoin up and gold up.

If you'd given me the FOMC details 30-minutes before the market, I would have lost money trading this release.

Markets are always hard. Sometimes they're more so. The last couple of months have been the latter for us at MO.

Cash burning $100bn+ market cap stocks trading for over 100x sales (how does that math work?) catch a persistent bid while stocks like POWW, growing in high triple digits do diddly squat for the year while selling for under 3x NTM sales and sub 10x NTM EBITDA.

While at the same time, there's been a widespread bear market in many names while the indices are held aloft by a narrowing few. The mega-caps such as AAPL continue to act as cash sweep vehicles. But with the Fed now firmly committed to a path of tightening, one must wonder if the "bond-like equity" narrative that has driven so much of the flows into these names will still hold in 12-month's time.

Que sera, sera as they say... The market is comprised of various cycles within cycles. Of which, some strategies are favored over others. Things move in favor and out of favor and back in again.

All one can do is stay flexible. Lean on what's working and lay off what's not. Then manage risk above all else, so you're left with plenty of dry powder and a not too big of a hole to climb out of when the cycle once again turns…

I see a few things when I look at the data right now. (1) the tape hasn't yet put in classic Bull Volatile toppy action (2) longer-term indicators of positioning and sentiment are in ranges that set the stage for a larger top (3) late-stage Buy Climax momentum is a powerful force that needs to be respected and (4) broader market breadth is horrendous but it's so bad that over the short-term we could see a catch-up reversion trade that supports the broader market.

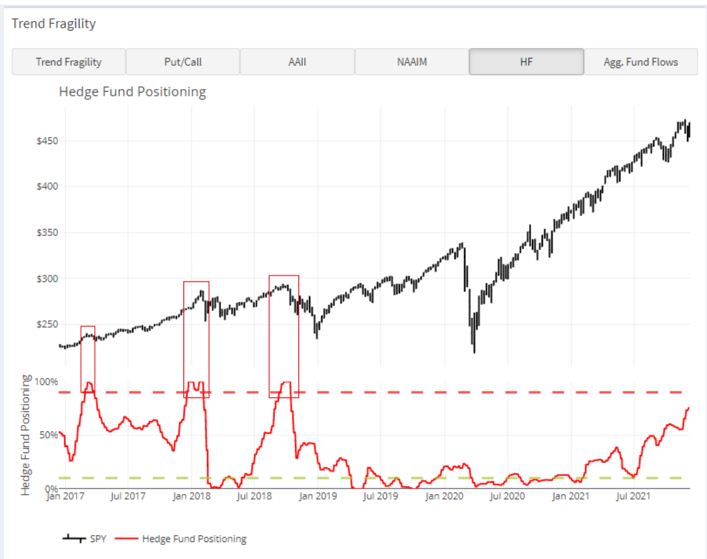
Let's quickly go through each of these.

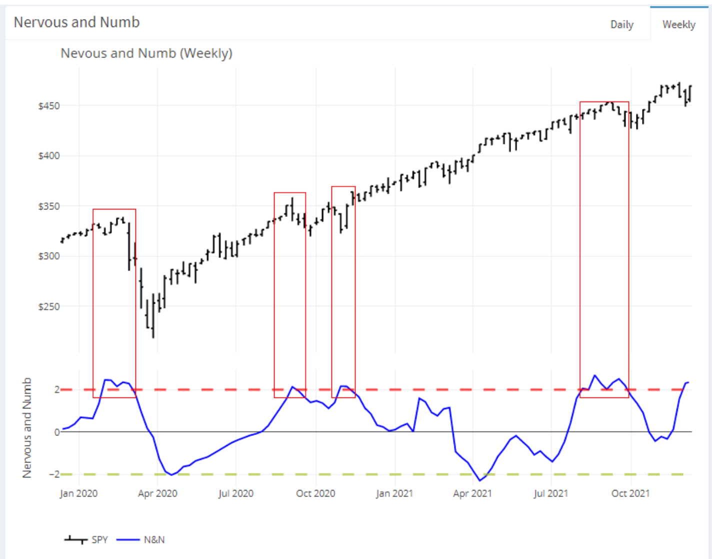
Earlier this year I laid out in ***2018 Redux*** and ***Very Dangerous*** the technical preconditions we look for to identify a market top. These are:

1. **Trend Fragility > 60% within last 30-days**
2. **Price 250-day z-score > 2.0**
3. **SQN > 1.75 for minor top signal & > 2.5 for major top signal**

While trend fragility has hit a record high in the last few weeks and breadth has become incredibly narrow considering the market is just off all-time highs, none of the above topping requirements have been met. The highest z-score and SQN over the last 30-days is 1.8 and 1.44 respectively (see chart below).

So despite signs of increasing fragility such as net specs incredibly one-sided long positioning in the spooz, hedge funds chasing performance into year's end and nearing the 80th percentile, aggregate fund flows just off record highs, and a sell signal from our weekly N&N indicator (charts below). Momentum, seasonality, and performance chasing are likely to carry this market higher into the end of year.





Our measured move target of 4,800 on the SPX is still very much in play — the big round 5k level is likely after that. Speculative parties (trends) such as this one, often go out with a bang, so a bang is what we'll likely get.

We'll have to see how the market responds today but there's a good chance that with the FOMC out of the way, we'll see a dash into risk over the last two weeks of the year.

We'll be buyers of the SPX on intraday pullbacks today. We'll send out an alert if/when we make the move.

Many uranium names have taken a wallop over the last few months. The narrative making the rounds is that Anchorage Capital, which was **highlighted by the WSJ** back in June for making a big bet on uranium by amassing a few million pounds in the physical market, is closing up shop.

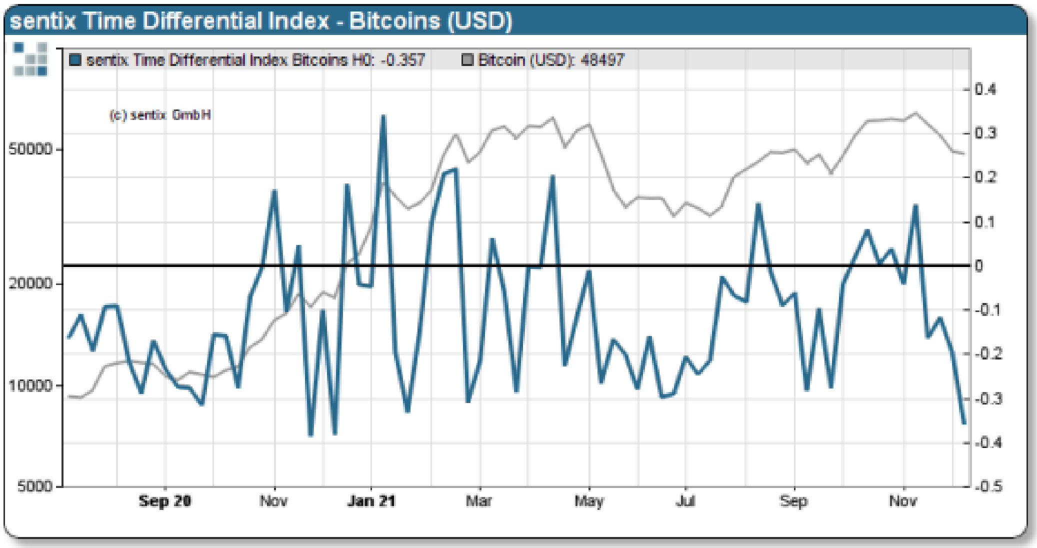
The **fund stated** its reason for doing so is "this current market where indiscriminate access to capital, elevated equity market multiples, and central bank policies supportive of risk assets… ACP is not best suited to take advantage of opportunities in today's market environment".

Seeing as how the fund manages roughly 30 billion in assets, it's reasonable to believe this is partly cause for the poor performance in U names. But, really, the weakness can also just as easily be attributable to the normal volatile swings of a uranium bull market. The key point is that the charts are still in clear long-term uptrends and the fundamental backdrop is as strong as ever.

We'll have to see how today plays out but a number of names in the space put in strong reversals at key support levels. We'll look to get back in Sprott (U.UN) today if the action holds. And we're still sitting tight on our full PDN.ASX position.

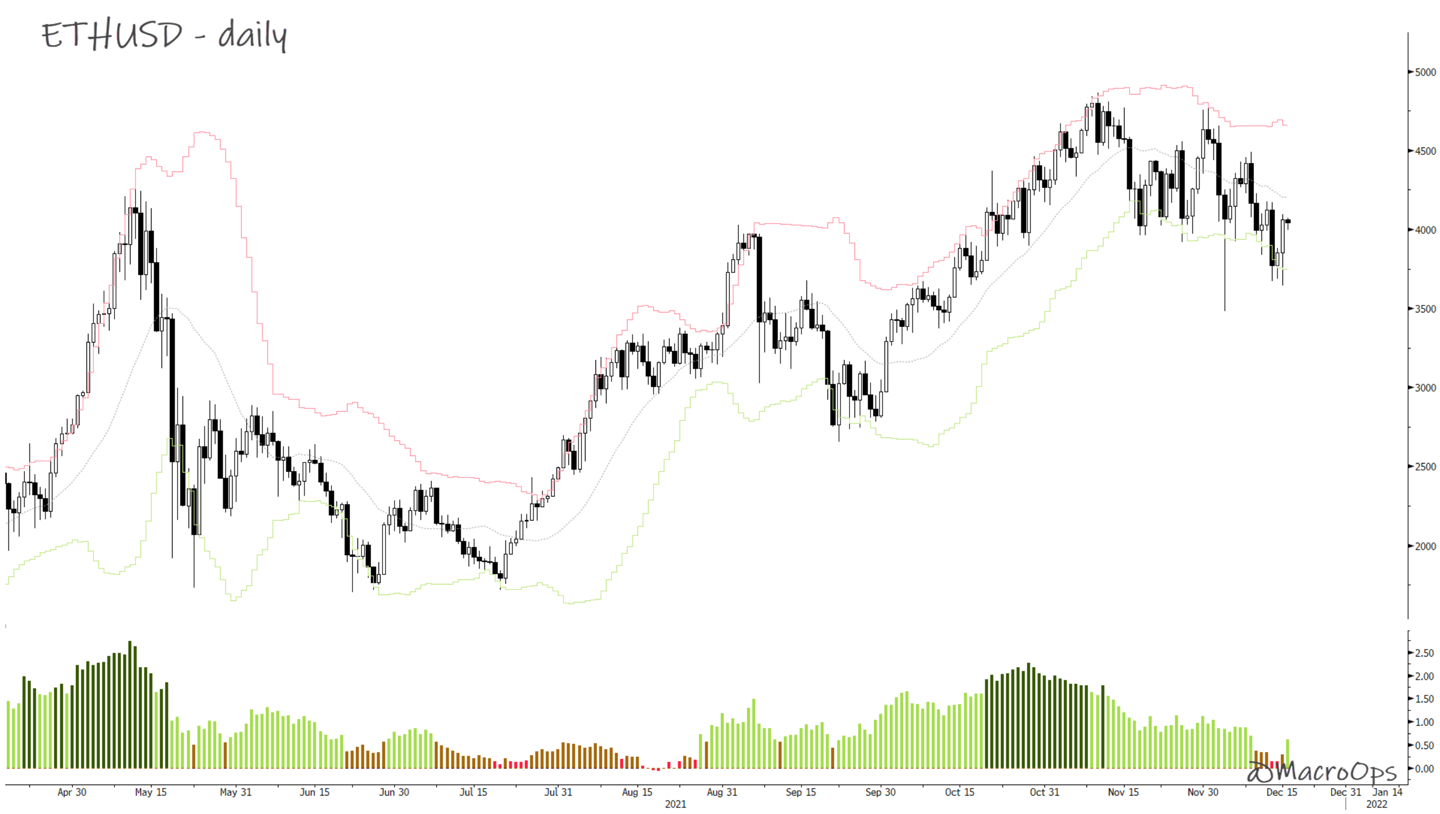
BTCUSD and ETHUSD are also on watch for re-entry, as the technicals and sentiment backdrop suggest a bottom may be in on this move.

Sentix's Time Differential Index for BTC just put in a new low for the year. The index measures declining sentiment and rising strategic bias. Similar low readings in the past have coincided or preceded major bottoms in the price.



sentix Time Differential Index on Bitcoins **and** Bitcoin price in USD

ETHUSD may have put in a double bottom on the daily. We'll look to get back in on a confirmed move above the midline.



These are tough markets for our style of trading. And they'll probably be so for a bit longer. But, soon enough, the cycle will turn and we'll get back in sync with things. Until then, we'll stay nimble and manage risk.

We'll be out with a trade alert soon, as we make some moves.

"When the time comes to sell, you won't want to." ~ Walt Deemer

Stay safe and keep your head on a swivel!

Your Macro Operator,

Alex