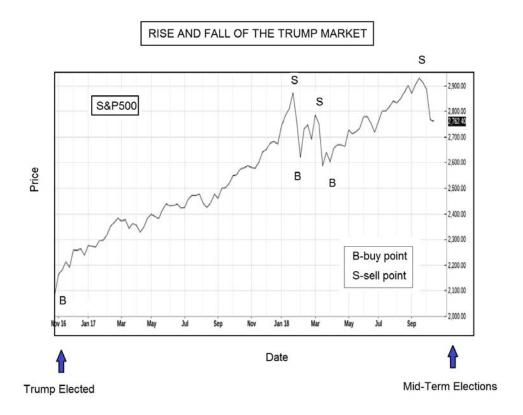
RISE AND FALL OF THE TRUMP MARKET

If one looks at a chart of the US stock market over the past two years, as measured by the Standard and Poors 500 Stock Index, one gets the price history shown-



In the graph I indicate buy (B) and sell (S) points as indicated by my past successful lag curve approach to stock trading. The strong upward movement which started in November of 2016 was clearly due to the euphoria most investors, including myself, felt after having a business man, Donald Trump, despite of all of his shortcomings, elected president of the United States. Many of the more onerous laws which had been imposed on the economy by the previous Obama administration and were promised to be continued if not accelerated under Hillary Clinton would be potentially repealed. In addition there was the promise of a large tax cut and an elimination of the mandatory buy-in clause to Obama Care. These facts accelerated what I call the **Trump Up Market** from an S&P500 index of 2100 in November of 2016 to about 2900 by January of 2018. Any investor who just held onto a market average ETF such as SPY had a potential return of 38% on his money. I myself managed to eke out a somewhat lower return of 15% during this same time period. Most investors were very happy and the consumer confidence level was reaching an all time high by the beginning of January 2018.

Then in February of 2018 things changed. My lag curve approach for the first time in the past 16 months gave a strong sell signal. I heeded this signal and sold out all my ETF holdings. The reasons for the downturn were many. First of all the gain in the previous time period was way out of proportion to the typical sub 7% return per year expected for US stocks, the rest of world stocks had not been rising although in the past there had always been a good correlation between the US and world markets, and perhaps most importantly Trump imposed tariffs on steel and aluminum with the intention of helping the US economy. This was soon followed with additional tariffs on countries with which the US had large trade imbalances. It was realized by many economists and savvy investors that the potential of a trade war with China, Mexico and Canada were in the making and this would be detrimental to the overall economy and the future of company earnings. These facts caused the big drop in stock prices during the spring and early summer of 2018. Toward the fall enthusiasm for stocks picked up again when the US came to new trade agreements with Mexico and Canada. Also Stocks started showing a better correlation with other world stock markets. So my charts started to indicate the possibility of a market upswing. I did not participate in this buy signals until August of this year when the S&P500 hit a new multi-year high. Shortly after that however my lag curve gave a strong sell signal and I cashed in my stocks with a small loss. This latest sell signal caught many investors including myself by surprise. Its cause however has now become clear. The Federal Reserve had been raising interest rates to a point where one can now get a safe 3% return on AAA government bonds in direct competition with uncertain stock yields. Also the threat of additional tariffs on thousands of imported Chinese goods promised to go into effect by the end of October. This of course will bring additional counter tariffs imposed by the Chinese designed to especially hurt US enterprises such as Wall Mart and soybean farmers among others. The further downturn we have seen in the last few days probably stems from the fact that the Republicans will likely loose the House in the upcoming mid-term elections do mainly to women and independent voters and their reaction to some of Trump's twitter messages and the Cavanaugh debates. If the Democrats do retake the House in November there will be numerous additional legislative obstructions placed on Trump's overall program such as extensive congressional hearings on his private finances and his questionable dealings with Russia.

I call the period after the late September sell-off the beginning of the **Trump Down**Market . No one knows how long this downtrend will last. However according to my lag curve charts the US stock market is now in a downtrend and thus one should be reluctant to buy any US stocks especially the high flyers we have seen over the past few years. The time to buy will be when a new buy signal is given sometime in the future. Until then hold on to your hats for what may be coming.

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