Wild Market Presents Buying Opportunity

That was quite the market this past week. Two 3% + drops in one week is a rare occurrence. Is the worst over? Hard to say. So far my 23250 DJI has held. We also have, for the first time since the Brexit panic, a drop of some substance. So far over 10%. We have had until now, a largely uninterrupted rise so this was badly overdue. We have it against negative news rising interest rates the Russian investigation unravelling with threats against the FBI and the DOJ.

Since the market panic of 2008 we’ve seen a number of mini panics. These spikes have been mostly short-lived. A real bear will be relentless and END in a panic. It rarely starts with a panic. So I think this will likely be short lived and shake out many weak hands. It should find a low over the next few weeks, possibly even at a lower level and climb again. The backdrop of the economy is still positive and the positive economy is global.

10% drops seem to occur about every three years. Statistically 3% + drops since 1987 occur only about 1% of the time. Tops usually occur with distribution, meaning you get drops followed by recoveries to new secondary highs. I suspect the former so the next high should be far more important. Look for the market to try and find a low sometime into the 23rd.

The gold market has thrown me off somewhat. The stock indices HUI and TGD have made new lows but gold and silver have not. The gold stocks get thrown out quickly along with the market when it drops. Margin calls don’t distinguish. The junior exploration stocks have not been affected. I doubt that the gold run-up is over. Gold’s positive ‘seasonals’ usually last into March at least. Gold sentiment had become quite bullish so this should ease it. The commercial COT for gold improved to 30% from 29% and silver to 42% from 37%. In both instances short open interest fell and long open interest rose. If the broader market improves and goes up, golds should go with it. Like the market, I can’t say the low is in but most indications I have suggest higher prices once this correction is over. Naturally I have levels I don’t want to see broken. But we are not there. Volume fell off on this pullback.

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