



NAVIGATING THE PULLBACK

It's worth noting that last week's move in US10Y yields, from 2.66% to 2.84% (.18bps) was the biggest run in rates since the week after the election. That's why one of last week's early notes was entitled "**The Horse is Out of the Barn.**" If you haven't begun planning how you are going to navigate higher yields and lower stocks, you better start now.

This Bloomberg article asks, "[How Worried Should You Be?](#)" about the rate rise, and my advice if you are an equity trader is **VERY**. This pullback will be like no other. Stocks have never run this far this fast. We got to the point where people were flashing 7 figure 401K's on line, and that's when you know sentiment is gushing. MISSION CRITICAL is now planning to navigate the pullback.

The first rule of equities – is that they are a forward indicator. The equity rally that we witnessed from 18,000 on Election Day to the Dow Jones peak of 26,616 may have reflected a great market irony. Stocks were busy pricing in S&P 500 earnings expanding from \$145.90 per share back in December at DOW18K, to \$156.20 per share on Friday. Bloomberg informs us it's the fastest stretch of earnings growth in 5 years. [This morning's WSJ points](#) out - 80% of the S&P has beaten earnings expectations, the highest percentage of companies since the 3rd quarter of 2008. S&P 500 companies are on track to grow revenue 7.5% and earnings 13% from a year earlier. Nobody is going to tap you on the shoulder during this earnings bonanza to tell you to take profit. That's up to me.

If market publications are parroting earnings growth, sentiment is as positive as it gets, and equities are a forward-looking indicator, we should expect the pullback to occur during stellar earnings growth and growing economy. This morning European indices are confirming we should expect such a pullback. The FTSE, the CAC, and the DAX are all below their 200dmas simultaneously, and dangling at the low of the day. The DAX chart is bottom right and as I just tweeted it's below, well it's below EVERY line of support I can draw at the moment.

U.S. markets look similarly vulnerable. The S&P 500 is still above its 50-day moving average, but I don't think for long if you mind the 'animal spirit meters.' European indices are leading the way below all major support levels. The short vol monkeys are slowly being shown the door as the billion dollar XIV balloon bursts. Bitcoin is off 10% and steam rolling toward its 200-day moving average support. It has so much downside momentum I'm NOT counting on it holding \$6,255. Lastly, I've been a devout oil bull since \$40 something. The spec long growing ANOTHER 17K contracts to 734,000 while the price distributes has me EXTREMELY concerned. When animal spirits go cold, they all go cold together.

There were 4 sectors with 3-sigma freefalls on Friday – tech (IYW), financials (XLF), industrials (XLI), and energy (XLE.) The first 3 sectors represent pullbacks from the highs, so I'm on the lookout for a string of large magnitude moves. Energy pulled back into support,

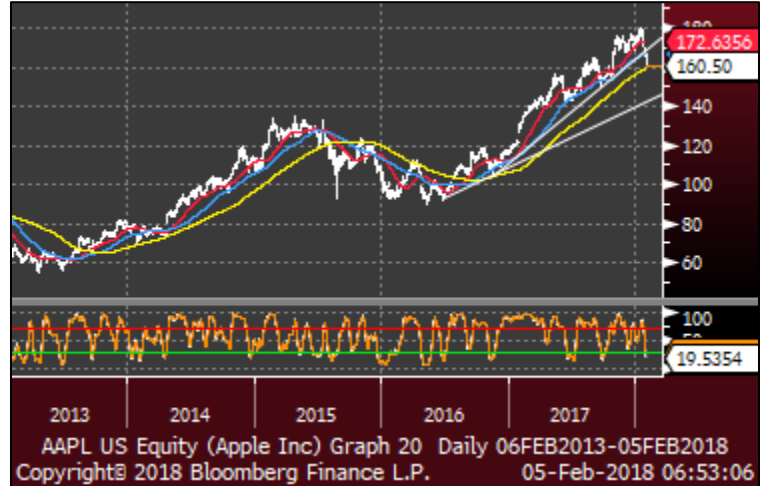




likely driven by new long positioning. Goldman Sachs just went positive on the sector in December. Last in, first out.

Like Jared Dillian properly stated last week – **“People generally want to take risk at the same time...and then don’t want to take risk at the same time. Call it the national mood, call it mass psychology, but it’s an axiom of markets that the fortunes of different asset classes are more or less tied together.”**

I don’t hear anyone bidding \$450M for a da Vinci, do you?



We have to remember that at a market cap of \$815 Billdog, however Apple goes, so go the markets. When I see steep trend lines breaking, new products failing, and competition creeping into the picture, my inner bear starts salivating. On Friday Apple saw a 3-sigma, 4% slide so we’ll see where that lands it. I have a feeling this date with its 200-day moving average might not be such a romantic one despite Valentine’s Day becoming visible on the calendar. With all that momentum, and rates rushing higher, the FIRST ACTION item on your list this morning might be to lighten up a stock the entire world is long up to their gills.

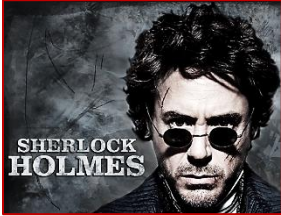
I got to watch Jim Grant interview Jim Chanos on Real Vision TV and it was brilliant financial cinema. Jim Grant knows how to get to the bottom of market events and Jim Chanos knows how to trade them. I found this brief exchange extremely telling, and extremely valuable to my market posture.



Jim Grant: **Are you at maximum short now?**

Jim Chanos: **We’re pretty close.**

Thanks Fellas. Noted!



POLITICAL CLOSURE

The FISA memo release should immediately shut down everyone that chuckles at the word 'conspiracy' and believes they don't exist. The facts in that document alone prove you are not crazy when you suspect an unnatural force 'peddling fiction' within the newsfeed of current events. The FISA Memogate story defines conspiracy.

When you see Steven Colbert go giddy over a 'pee pee story', you suspect the fix is in. When you see, six senior leaders of the FBI and DOJ reassigned or fired due to the memo's release, you can be sure it was. As soon as the memo dropped, the media's narrative changed from **"The memo must NOT be released, it will compromise national security!"** to **"this memo's a joke, hahahahaha!"**

Reality says there's enough smoke to prove a treasonous fire is burning within the Deep State and it's implicating the Obama administration's last holdouts. The D.C. gas can just got kicked over. The match has been lit. I'm going to fold my arms, sit back, and continue watching it burn right after I finish this note. I'm going to thoroughly enjoy the self-imposed political moratorium.

Michael Steele tried to leak the contrived Russian document to several 'fakenews' outlets and they wouldn't even run the story because it was too outrageous. It blows my mind that the Federal Bureau of Investigation used the same bogus file to get a FISA warrant to spy on a Presidential candidate – FOUR TIMES – on four separate occasions, without telling the FISA court the origin of the document. The fact that it was created by a man who had an intense dislike for Trump, notwithstanding. ***passes debate questions to Hillary*** The memo proves Hillary Clinton was the chosen one to succeed President Obama. It proves why the media, Hollywood, and the collective left, went berserk (on behalf of the Deep State) when that line of succession was upset in the Presidential election of 2016.

If you had to lead a nation through that nonsensical investigation, triggered by a fake document, in your first year in the White House, you might connect a few simple dots to clear your name too. If you're Donald Trump, you'll connect those dots, and twist all the relevant horns along the way. The Mueller investigation into Russian collusion has gone one for six months to no avail. If you ask the average American, outside of ~~Benedict Arnold~~ John McCain, **"what crime exactly is Mueller probing?"** - nobody has an answer. If you ask John McCain, you get a boatload of unbelievable double talk that I don't even think Missus McCain believes.

"If partisan opposition research was used to fuel a national-security investigation that has morphed into a series of criminal investigations, and the special counsel has no tether that identifies a specific crime, or "a specific statement of the matter" he is to investigate, that is at least unsettling." *The Memo and the Mueller Probe - WSJ*

Unsettling to say the least. It's a good time to remember to trust your gut when the newsfeed becomes unsettlingly fake. I knew for months that precisely nothing regarding the Russia investigation was real. Sometimes you stick it out until the facts emerge and remember that old familiar quote.

Curiosity was framed. Ignorance killed the cat.



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STUDY BREAK

"It just so happens that almost ever talk show host is a liberal and that's because it requires a level of intelligence."

- Jimmy Kimmel

"The empty vessel makes the greatest sound." – William Shakespeare on Jimmy Kimmel

"Beware traitors both foreign and domestic. The #Democrats managed to use both and still lost a rigged election."

- @RealJamesWoods

"This thing?! This was two weeks of: This memo is going to end everything. This memo, have you heard about the memo? Hashtag: Release the memo! This memo will make Donald Trump innocent. This memo will put Robert Mueller in jail. It will abolish the FBI. The Justice Department will have to rename itself the Donald J. Trump & Family Private Security Task Force. I mean, I can't believe this is it." – Rachel Maddow, MARSNBC

"You really can't dust for vomit." – Nigel Tufnel

"We have never, ever in history seen anything like this, and it was spearheaded not by rank-and-file members of the FBI intelligence community and Department of Justice. No. High-ranking officials: James Comey, Andrew McCabe, Rod Rosenstein, Peter Strzok, Lisa Page, likely Loretta Lynch." – Sean Hannity, Right of Genghis Kahn Tribune

"The out-going Obama administration, at the highest levels in coordination with the media, conspired to create news stories that supported a FISA warrant based on politically-motivated opposition research to undermine the newly-elected President of the United States." – Tom Luongo, [The FISA Memo, Obama and the Election that Almost Wasn't](#)



1981

Dow closes at 875

Interest rate hits 15.75%

Avg income 21k

Natalie Woods dies and Robert Wagner is suspected in 2018

– @twittergenius

"The reason I work with the same people, it's just not an accident."

– Christopher Guest, born February 5, 1948, NYC

The President of the united states (Obama) and Hillary Clinton and the DNC paid 12 million dollars to put together a phony dossier, filled with Russian lies, all in an effort to obtain a FISA warrant to spy on Hillary's presidential opponent. Do you understand how bad this is? - @1776Stonewall



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