



America First Night

I knew this was going to be a crazy week. It's only Tuesday and the FBI Deputy Director stepped down, we lost Chief Wahoo to political correctness, we're about to see an incriminating memo highlighting FISA abuse by the last administration and hear the first State of the Union Address by the current one. President Trump might take the podium in a pose similar to *Chief Wahoo* in one his final appearances as team logo at Cleveland Stadium, excuse me – *Progressive Field*. And that explains the logo change ;)

President Trump has an opportunity to come out guns blazing, winning, and bragging about his accomplishments tonight and he's going to. He got the tax cut on the tape, the stock market in the stratosphere, and now the opportunity to lay the foundation for an infrastructure plan.

His foes are losing. Grammy viewership is off 20% and NFL viewership is off 15%. Meanwhile, President Trump is getting standing ovations in Davos with his **"America is open for business"** message. George Soros calls him a **"danger to the world"** but if President Trump is a danger to anything, it's the current leadership hierarchy at the Federal Bureau of Investigation. We'll know more when they release the memo.

My good friend Mike Lovecchio, a former colleague with a spot on my 'Favorite Wall Street Italians' list, has an interesting theory on State of the Union Address.

"Can't you envision all the retail guys who religiously watch *Mad-Money* with Jim Cramer glued to the T.V. during Trump's State of the Union, as he talks up infrastructure, jobs, and steel tariffs? The most googled question tomorrow might be 'What are U.S. publicly traded steel stocks?' Call me crazy (which many do). but I could see a wave of retail money come into the group over the next week or so."

I wouldn't call Mike crazy or fade his call because he's one of the few guys who can make them. My eyes are peeled for a rush into the steel sector to see what the result might be.

A few sectors crumbled yesterday, but I'm not confident the damage was vast enough to worry about a continued spill. Oil services (OIH) continues to demonstrate its ability to get body slammed in a weak tape (*note to self.) Behind that, homebuilders (XHB, top chart) backed off in





2-sigma magnitude. I've been exceedingly bullish the sector based on developments in the housing market (low inventory low yields, rising housing starts, and rising prices.) Yesterday's move would be a signal to part with some portion of that length. Lennar (LEN, chart page 1) is the 5th largest member of XHB. I have to respect its 2-sigma, 4% slide to 50 day moving average support.

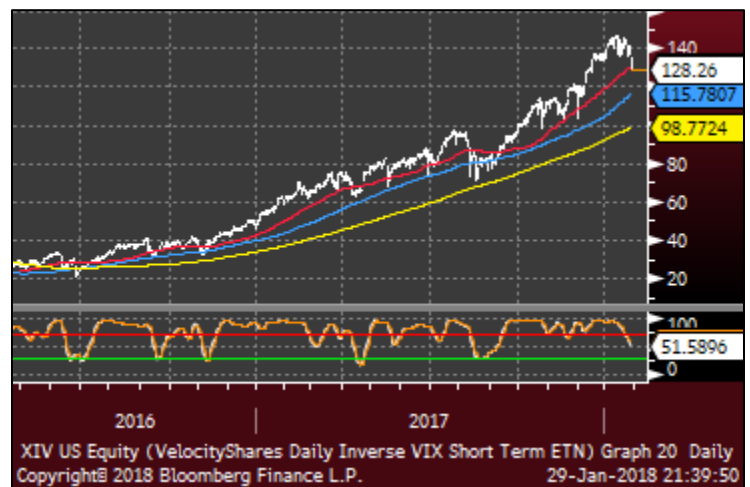
Low yields remaining depressed in the long end was the dynamic that told us to stay long homebuilders. Now that visible signs of inflation are raising the entire curve - 30Y yields have begun an inflationary creep toward 3%. This sector might trade tick for tick with the long bond for a few days and the long bond is getting buried this week.

If there's a conspicuous move in the market, it's that 25% VIX (top chart) to 14 on a 70-basis point move lower in the S&P. Some of us recall when a 70-basis point move lower in the S&P was barely an event for the VIX, and clearly a crowded trade has changed that dynamic.

We discussed the "Volslinger Turn" in volatility last week. It's a real time manifestation of that bloated XIV position starting to burst at the first sign of S&P weakness. Yesterday XIV (chart right) closed below its 50-day moving average. That has happened before in the run higher. In this case, I think an XIV pullback to \$99.00 could happen all at once, and then we'll see.

Keep in mind that we've seen Janet Yellen come to the rescue of most conspicuous S&P dips with delicately handled press conferences and that's what the market is used to. Jerome Powell has yet to establish a tempo for his leadership, much less, the outrageous consideration that a Fed Chair be tested with any brand of toppy market turmoil. Place yer bets, people.

If you want a down the middle view of what might happen in year two of the Trump Administration, check this "Exchanges at Goldman Sachs" podcast [Episode 83: What's Next On The Agenda?](#) You may have heard it first on board the *Morning Navigator*, but you will like what you hear.





STUDY BREAK

“The past several weeks and months have seen worrisome evidence of bias and wrongdoing at the FBI come to light.”
- Matt Gaetz (R – Fla.)



***Kick the gas can over.
Strike a match, get back
and watch that sucker burn.***

- Cheney’s Toy

“We’ve crossed a deeply regrettable line.” – Adam Schiff, California

“Direct threats require decisive action.” – Dick Cheney, born January 30, 1941 – Lincoln, Nebraska.

“You can scream from the rooftops at CNN, but the facts are the facts. The man was removed from the case for political bias.” – White House Press Secretary Raj Shah on Strzok

“The IRS, they’re like the mafia. They can take anything they want.” – Jerry Seinfeld

“You have the greatest mission on earth, protecting the American people and upholding the American constitution. You speak up, you tell the truth and you do the right thing. Thank you for your service, your support, and your friendship.” – Andrew McCabe, former Deputy FBI Director

“Except for the occasional heart attack, I never felt better.” – Dick Cheney

“The thing is, everyone asks me if I’m afraid after so many crashes. Do I take my foot off the gas pedal? You try to manage risk as much as you want, but at the end of the day, it’s a dangerous sport.”

– Lindsey Vonn, heading into 2018 like...





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