



Market Commentary: “Nobody Panic – This is Just a Re-Test” – September 2, 2015

Ron Insana, who is a smart financier, was on CNBC Power Lunch yesterday stating his opinion that “this is a re-test. It is only a re-test. If this had been an actual bear market, this message would have been followed by further signals to sell.” We have been saying the same thing in our past two letters. A typical bottoming sequence sees a capitulation low (Monday, August 24th, at ~1867 SPX), followed by a recoil rally lasting 2 - 7 sessions, and then a subsequent retest of the recent lows. As Ron explains it, "After a bounce, there is often a re-test, where the averages touch, or even fall below, the prior move's lows. Usually it's just that - a test - and when the wash-out is done, assuming you see positive technical divergences and some fundamental developments that turns the market back around, the correction will be declared over." He hopes, as do we, that is exactly what we are currently experiencing. "Re-tests" are ALWAYS scary! They are meant to shake out the last of the weak holders of stocks.

Of course, if the market's internal strength deteriorates further on the second wave down, it could be indicative of something more serious. But right now, we haven't seen any sign of that. We feel that U.S. stocks are in the midst of a secular, long-term, bull market that is likely in its 5th or 6th inning. Prior to this correction, it had been 46 months since U.S. markets had suffered a pullback of more than 10%. Corrections occur, on average, every 18 months, so this was long overdue.

As always, we thank you all for your continued support and look forward to discussing any or all of our thoughts at your convenience.

Best Regards,

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