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R&R Time

Greetings from the sunshine state where I spent a fantastic long weekend with my family visiting my grandmother, mother and aunt along with some much needed R&R with Teri and the kids, underscore time with the kids. As you can see below, my wife now has four kids as I never turn down an opportunity on a water slide.



The family spent an amazing day at Lion Country Safari with all of the kids getting a unique opportunity to hand feed giraffes from a perch high above the ground.



Finally, at my trade association's golf tournament where I did not win, I bumped in to the man I consider to be the greatest linebacker and defensive player of all time, LT, Hall of Famer Lawrence Taylor from the New York Giants. LT is in such good shape, he looks like he could don the uniform and trot out on the field again. He is one big guy who could not have been any nicer, funnier or more engaging.



Don't forget to check our blog for intra-issue updates. www.Investfortomorrowblog.com

And Now Key Sectors Not Singing a Good Tune

Last week, in [Major Indices Issue Warning](#), I discussed how the strength in the Dow and S&P 500 were masking weakness in the other major indices and how a warning sign was given. Today, I go a step further and dive into the key sectors of the stock market.

We begin this section with the S&P 400, Russell 2000 and NASDAQ 100 all showing relative weakness, a clear red flag. Below is the first key stock market sector and also one of the two components of Dow Theory.

The Dow Transports should confirm all highs in the Dow Industrials and vice versa. When one doesn't, a non confirmation or divergence develops. At the most recent all-time high in the Dow Industrials, the Dow Transports did NOT make an all-time high, clearly a warning although one that can be rectified quickly and easily.



The banks are below and you can see a much bigger problem as they are nowhere near their 2014 highs and in a clear pattern of lower highs and lower lows. This issue can't be easily fixed.



The semiconductors are next with a pattern of lower highs but higher lows. There is a clear warning sign as the last all-time in the Dow is definitely not confirming or even close. This is also a red flag for the NASDAQ which is a red flag for the major indices.



One of the important bright spots of the market is the New York Stock Exchange Advance/Decline line which is continuing to score all-time highs. Almost without precedent, bull markets do not end until the NYSE A/D line fails to confirm the final high in the Dow Industrials and S&P 500. That's definitely not the case today.



Finally, the high yield (junk) bond market is one of the best canaries in the coal mine to gauge the health and strength of a bull market. Left for dead almost a year ago, junk bonds did a 180 and remain in a very solid position, another positive for the bull market.



All in all, we have two big picture indicators that remain bullish, but a host of others flashing the warning sign. My conclusion is that the bull market remains alive, but is building towards an intermediate-term correction, especially if the Dow and/or S&P 500 see all-time highs this quarter.

Economy "Booming"

Two weeks ago, I published, ["IF" - Something Ain't Right](#), regarding the "curious" behavior of long-term treasury bonds. Nothing has changed and in fact, given the employment report from last Friday, it's even more "curious".

288,000 NEW jobs created in April.

Unemployment rate plummets to "only" 6.3%.

The U.S. economy is back!

Does it feel like that to you or your friends?

My thesis since the crisis began has been that post financial crisis recoveries are frustrating. They tease and tantalize on the upside but rarely deliver. GDP

growth never hits "escape velocity" and unemployment remains stubbornly high. With the government printing a 6.3% that's hard to still say "stubbornly high".

Digging into the details a little more, the labor force participation rate fell to 62.8%, the lowest level since 1978. Almost 1 million people left the labor force. Zero Hedge wrote a good piece about this [here](#).

With wages not growing and people giving up on looking for a job, this is the main reason markets are not celebrating the 288,000 number. Additionally, it seems like at least once over the past few years, we see a monthly print close to 300,000 new jobs created only to have cold water poured on it over subsequent months.

Remember, the actual news isn't as important as the markets' reaction to the news. Before you fire off an email to me that the Russia/Ukraine situation led to Friday's underwhelming performance, stocks looked crummy in the pre-market minutes after the jobs numbers was released. We "should" have seen a huge up day in stocks and really bad day in bonds. That just wasn't the case and yes, I understand that there were geopolitical events in the air as the day wore on. Monday & Tuesday could be very telling days for the short-term.

If your portfolio isn't performing as you expect or would like an independent evaluation, please hit reply or call me directly at 203.389.3553.

Upcoming Appearances

The Second Half - May 15 9:30am - 11:30am (live class. contact me for details)

You can view most of the past segments by clicking below.

Media Appearances

<http://www.investfortomorrow.com/InMedia.asp>

Investment Quotes/Adages To Live By

"The only easy day was yesterday."

- The U.S. Marines

"When in doubt, get out!"

"If it's obvious, it's obviously wrong."

-Joe Granville

"It's ok to be wrong, but it's not ok to stay wrong."

"This time is different."

"The markets require the patience of a dozen men."

-Robert Rhea

"Luck is the residue of effort."

"The most bullish thing a market can do is go up in the face of bad news."

"The most bearish thing a market can do is go down in the face of good news."

"The market can stay irrational longer than you can stay solvent."

-John Maynard Keynes

"Government is best which governs least" - Thomas Jefferson

Inflation is the one form of taxation that can be imposed without legislation.

-Milton Friedman

"You cannot legislate the poor into freedom by legislating the wealthy out of freedom. What one person receives without working for, another person must work for without receiving. The government cannot give to anybody anything that the government does not first take from somebody else. When half of the people get the idea that they do not have to work because the other half is going to take care of them, and when the other half gets the idea that it does no good to work because somebody else is going to get what they work for, that my dear friend, is about the end of any nation. You cannot multiply wealth by dividing it." - Dr. Adrian Rogers, 1984

"Bear markets seem to be divided into three phases: the first being the abandonment of hopes upon which the final uprush of the preceding bull market was predicted; the second, the reflection of decreased earnings power and reduction of dividends, and the third representing distressed liquidation of securities which must be sold to meet living expenses. Each of these phases seems to be divided by a secondary reaction which is often erroneously assumed to be the beginning of a bull market."

- Robert Rhea via Tim Woods

"Free enterprise is a rough and competitive game. Nobody too big to fail. Nobody too small to succeed. It is a hell of a lot better than government control." - Ronald Reagan via Dan Kennedy

"A government big enough to give you everything you want is big enough to take everything you have." - Gerald Ford via Dan Kennedy

"The problem with socialism is that, sooner or later, you run out of other people's money." - Margaret Thatcher

"Diversification alone is no longer sufficient to temper risk... You need something more to manage risk well."

- Mohamed El-Erian

Friends And Family Plan

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Finally, as you know, our firm and this newsletter continues to grow mostly from your referrals. If you know anyone who is interested in securing their retirement, planning for it or just plain worried about it, please send them here. As always, thanks for thinking of us with your circle of family and friends.

### **Sign Up Here**

You can also forward this email to family and friends by hitting the "forward email" hotlink at the bottom of this email.

**To Your Financial Success,**



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