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As you know, for the past few months I have written about this overdue pullback to refresh the stock market. While I have written much about it, I am certainly not taking credit for getting the timing perfect as I started discussing it many weeks before it began. Until Tuesday, the pullback, which began three weeks ago, has been about a shallow and mellow decline that has really just gone sideways in consolidation mode.

Tuesday was the ugliest day of 2017 for the bulls. If you look at charts, the day printed thousands of downright awful, red candle reversal days. The talk in the financial media was all about the "Trump Rally" being over and a large correction possibly unfolding. Let's be real here. Stocks finally declined 1% for the first time in four months. 1% should be a normal daily move, not a cause for the "Special Report".

Let's get one thing out of the way. I absolutely do not believe the bull market ended or is about to end. This is a normal, healthy and expected pullback that just turned from a mostly shallow and sideways move to a bit more of a price decline. Weakness should be bought. Buy the dip.

Price-wise, all of the major stock market indices got in gear to the downside after the NASDAQ scored fresh new highs on Tuesday morning, fooling many to believe that all was well. Some pundits were interviewed as saying that stocks were "soaring". They weren't. And they won't until Q2.

The downside could be another 2-3% lower, but I wouldn't hold my breath for that. After the largest down days in months, stocks usually trade in both directions over the next day or two and then bounce over the next week or so. Lots of short-term indicators are in or approaching oversold territory. We finally have a touch of fear in the air, but perhaps another shot lower will really scare some folks.

As I wrap this up, I see the media dubbing this pullback, the "Trump Dump" or "Trump Slump". It is no more the president's fault right now than it was his credit for the post-election rally. The rally was in response to a sweep by the GOP which would set the stage for the strongest pro-growth agenda since at least Bush II's first term, if not back to the mid 1990s. In other words, it was Paul Ryan's and Congress' rally more than any other single person.

Speaker Ryan intends on holding a vote Thursday night for the ObamaCare replacement bill, however you want to refer to it. TrumpCare? RyanCare? Who cares? Some say the markets are concerned that if this bill fails, the corporate tax cuts won't happen this year and then the individual cuts won't happen and more regulations won't be removed so quickly. I think that's all a load of nonsense. A week after the bill fails, if it does, the world will move on to the next bill or another topic. If it's one thing we learned about Donald Trump, it's that he pivots from topic to topic as a dizzying pace, especially when he loses.

I am headed to the city tomorrow for client meetings and some media, but I will try to write a leadership update on the train which looks at the sectors and my favorite two canaries. Speaking of canaries, it's the perfect time to do a full Canaries in the Coal Mine update and I will get working on that shortly.

To Your Financial Success,



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