



November 14, 2018

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Market Outlook

Last week, I wrote about the chart below, [Battle Lines Drawn](#), which had one more horizontal, blue line at the time. That was exceeded on the upside, so I removed it. We are left with the upper blue line that once exceeded and closed above will be late confirmation that the bottom is in and new highs are on the way. That's going to take some time to develop. Stocks are at the first blue line which creates an opportunity.



After correctly calling for a mid to upper single digit decline as well as the potential for a bounce near the lows, it has become a little muddier for me. I did not like how stocks behaved at the October low. It didn't look complete. However, there is no rule that says the market must accommodate my analysis and ego. Both the second part of the rally and current decline have been more difficult for me to get my arms around in advance which is all that matters. Anyone can analyze after the fact.

Since the correction unfolded, I made two very strong statements. First, I said that I did not believe the bull market was over and that Dow 27,000 would be seen late this year or in Q1 2019. The second statement was that if stocks raced right back to new highs from the October lows, I thought the 10-year bull market would end during Q1 2019. I don't think we have to worry about any racing here.

At this point, there are two scenarios (yes, I love my scenarios) which look to be most probably. And for you bears out there, they are both bullish. The first one is in light blue above and it has the decline ending right now, plus or minus a day or so. The second one has stocks go all the way down to the October lows, perhaps even breaching them for a day or so and then bottoming. Regardless, both paths lead stocks to new highs although the duration will be different.

Finally, I have a Canaries in the Coal Mine all done and ready to email. It was supposed to be in this update, but it just became too long. I will get that out this week. I know. I know. You are waiting with bated breath!

As many of you know, I have gone to a quasi online calendar so you can book an appointment when you want to and not just when we're in the office or respond to your email. For now, I do not include evening meetings nor early morning ones, but I will try and accommodate as best I can.

If you would like to schedule a meeting, Skype, FaceTime or call, please click on the link below and give it a try. My calendar is now open through November.

<https://schedulewithpaul.as.me/>

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