



Bert Dohmen's SMARTER TRADER™

The Premier Advisory for Active Traders

"Celebrating Our 43rd* Year of Guiding Investors Successfully"

Issue # 48 – March 23, 2020

(Last Smarter Trader sent: March 20, 2020)

MARKET DATA:

	LAST	CHANGE	%CHG
DJIA	18591.93	-582.05	-3.04
Nasdaq Composite	6860.67	-18.84	-0.27
S&P 500	2237.40	-67.52	-2.93
DJ Total Stock Market	22462.76	-642.54	-2.78
Russell 2000	1002.40	-11.49	-1.13
NYSE Composite	8777.38	-355.78	-3.90
Barron's 400	455.11	-13.82	-2.95
CBOE Volatility	61.59	-4.45	-6.74

	NYSE	NASDAQ
Issues		
Advancing	676	1,285
Declining	2,361	2,040
Unchanged	28	60
Total	3,065	3,385
Issues At		
New Highs	2	7
New Lows	805	783
Share Volume		
Total	7,585,716,152	4,421,059,158
Advancing	2,044,682,608	2,492,878,012
Declining	5,443,943,546	1,882,948,763
Unchanged	97,089,998	45,232,383

Source: wsj.com

MY VIEW:

Markets:

Overnight the index futures hit their limit down once again with the DJI plunging nearly 1000 points and the S&P 500 plunging by 5%. The Fed knew they had to do something before Monday's opening bell.

The Fed announced prior to the open today that they would provide unlimited QE (purchasing

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of Treasuries and MBS's). They also announced expanding and creating further emergency programs to provide support and liquidity to corporations and local governments. Furthermore, the Fed will now be purchasing muni debt, investment grade corporate bonds, and U.S. ETFs for investment grade corporate bonds.

Despite these unprecedented moves, the markets opened the day in the red. Most of the major averages traded in negative territory the entire day as the DJI plunged to a loss of 960 points at its low this morning.

The NASDAQ was the only index able to dig its way out and go positive, at least briefly. However, by the close, all four major indices closed the day lower.

The DJI and S&P 500 were the weakest performers falling 582 points (-3%) and 2.9%, respectively by the close.

The Russell 2000 fared better than it had been on most other selloff days with a 1.1% decline while the NASDAQ was just marginally lower (-0.3%).

The trading action was choppy once again, similar to what we saw the last two days of last week. Yet, volume was nearly 18% lower than on Friday with about 7.6 billion shares traded on the NYSE. Most everyday over the past few weeks volume has been around 8 billion shares. Thus, the declining volume on today's market decline could be a positive sign of reduced selling pressure.

Another potential positive could be the fact that the internals were not all negative as advancing volume was slightly heavier than declining volume on the NASDAQ. That is an important signal.

Yet, on the NYSE, declining volume was 2.7x heavier than advancing volume.

Also, the number declining stocks to advancing stocks was not heavily skewed on the negative side with 3.5x and 1.6x more declining stocks on the NYSE and NASDAQ today, respectively.

The sector performance is gradually improving as well. Although 10 of the 11 S&P sectors closed with losses, their declines were not as big as we have seen in prior selloff days.

Energy, once again the worst performer, fell 6.7% although WTI Crude oil climbed higher by about 3.6% to \$23.71/bbl.

Financials were also a big laggard, falling 6.1%, as U.S. Treasury yields fell lower, which hurts banking stocks.

Consumer Discretionary was the lone sector in the green, up 0.4%, led by short squeezes in the biggest hit names during the coronavirus outbreak including the cruise lines, casinos, and

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restaurants. This was in anticipation of the Senate bill passing (which it failed to do today), which will likely provide some relief to these hard hit companies.

But will it be enough to keep their companies and stocks alive? And if so, for how long can the U.S. government support these industries, which are now having net-lower income right now? As with all bailouts, they never bring the target back to where it was. It will be severely wounded after a bailout.

The Dollar was once again today's safe haven play as the DXY climbed higher to 102.47. There is a global shortage of US dollars of about \$12 TRILLION. These support mainly the highly leverage derivative positions in a number of sectors. That is the most serious problem, more than the virus.

Gold and silver had big rises with gold soaring \$55 to \$1554/oz and silver charging higher by 5% to \$13.24/oz. The miners were also strong as GDX jumped 6.7% while SIL soared by 5%.

Treasury bonds had another great day to the upside as the TLT, ETF for long-term T-bonds, jumped another 4.1%. Since its intraday low last Wednesday, the TLT has soared more than 19% to the upside. Of course this means treasury yields declined as the 10-year fell to 0.76% and the 2-year dropped to 0.29%.

Commentary:

The intraday market volatility is extreme. Chart support levels continue to be broken to the downside. Bearish sentiment is finally replacing some of the bargain hunting advice. That suggests we are getting close to an intermediate bottom, probably not the final bottom.

Let's look at the charts. The S&P 500 so far has penetrated all chart support levels. But now we are at important support that goes back 9 years to 2011. The rule is that the further back in time the support goes, the stronger it is. We will see.

We will also note that today's break to a new low was not convincing to us. It looks like it could turn out to be a "false breakout," or "rejected low," followed by a bear market rally. Tomorrow will tell us if our suspicion is correct.



The VALUG index is more important. It hit support going back to 2011 and 2012.



However, if there is a bounce or rally (longer than 2-3 days) than it would not be a return to the prior bull market. That one is dead. It just hasn't had the official funeral.

Don't ignore these signals if you are heavily short.

We also see the sudden shift to extreme bearishness of people invited to the media as a clue of an upcoming rally. This always happens at about the half way mark of a bear market. After that, money managers continue to look for a bottom because "everyone is bearish," producing brief rallies. They don't realize that the others are also "not bearish", just talking bearish.

At a genuine bottom, many investors don't even want to think about the stock market.

All the way down you only hear the bulls leading the lemmings over the cliff. When they finally have to invite some bears, it's again bad timing. Sentiment now suggests a short term bottom is near.

The head of Colony Capital said today that the mortgage market is ready to collapse. That is the mortgage backed securities (MBS) and derivatives tied to those. He said that regulator should remove the "Market to market" requirements. There will be defaults across the board. There are over \$4 trillion of these mortgage securities.

MBS's are actually pools, or groups, of mortgages packaged into securities for sale in the secondary market. There may be 100s of loans in one of these pools. The derivative players then borrow money against these at high leverage. Now the margin calls are going out and they have to get cash, no matter where from. That's why securities having nothing to do with the problem decline sharply as they are used as a source of cash.

Fed member Bullard said unemployment could go to 30% and GDP growth could plunge 50%. Wow! We're getting some real bearishness. We have to check if he is a subscriber as are view now is a DEPRESSION right around the corner based on the hysteric actions of local and state governments.

One month ago all analysts were talking about what stocks to buy. Now, with the DJI having crashed 37%, **Bank of America** urged drastic measures. The headline today: **BofA Calls For 'War-Time Measures', Urges Near-Total Fed Takeover Of Capital Markets.'**

The PMI for Japan released today was 32.7. We have never seen it that low for a major important country. We just heard on TV the State of Washington ordered all company offices to be closed. This is insane...or is it something else?

Total payroll in the USA is \$6.4 TRILLION PER YEAR. With local governments forcing many of the major businesses to close, putting employees on the street, it is easy to see that payrolls could plunge 50%-80%. It would be more, but some people work from home.

That means rents, mortgages, utilities, etc. will remain unpaid. That's probably **why safe Utilities have just now seen a sharp drop.**

Expenditures for restaurants, entertainment, sporting events will go to zero. The world has never seen sales of most companies in the economy go from good to almost zero in a few months. This is unprecedented.

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In a normal economic DEPRESSION like the 1930, sales decline sharply over several years, but not to zero. It seems that the Wall Street shills in the media have even thought about this. Or are they thinking all this will be over in a few weeks?

One article said: *“policymakers are in full panic mode to do something. Central banks have initiated an unprecedented 42 rate-cuts since Feb 1st.”* After the 2008 failure of Lehman Bros there were only 36 cuts in the two months.

Hysteria is everywhere. It was so predictable, and we did predict it. The most damaging hysteria is local and state governments. But we can't change that, so we must find ways to stay safe, and perhaps even make a profit. US Treasuries have been excellent the past weeks. The IEF ETF for medium term Treasury Bonds are up about 7% and the TLT for 20+ year Treasuries are up about 13%.

We wrote that last week that the bureaucrats and politicians world-wide have gone into hyper-hysteria. There are so many bad decisions made. Politicians feel they must take extreme measures, no matter how devastating to the economy, to show “that they are doing something.” Hawaii Gov. David Ige is imposing a mandatory 14-day quarantine **for everyone who arrives in Hawaii, including both tourists and residents.**

When you come to Hawaii, bring your Kindle with plenty of books on it.

That probably means zero new tourists. Hotels, restaurants and shops will close. People will be unemployed and have no savings with which to pay the rent, food, clothing, and basics of life. Wouldn't it be better just test them? Oh, we don't have the tests.

The country of Jordan has imposed an unprecedented nation-wide curfew. It only has less than 100 cases of the virus. **The new curfew is being widely described as the most severe measure any country has imposed on a nation-wide level thus far in the crisis.**

Washington DC on the other hand is surprisingly doing mostly the right things. No hysteria, just proper management of what needs to be done. Of course, nothing is perfect when it comes to managing such a huge entity. Like everyone else around the world, except our subscribers who were forewarned, they were a little late because everyone depended on China for information. That didn't come. China can never be trusted.

In fact, late today it seems that someone in the White House may be listening to our reasoning or reading our tweets. Trump said, **“WE CANNOT LET THE CURE BE WORSE THAN THE PROBLEM ITSELF.”** They are considering ending the isolation in about two weeks.

Another surprise for us comes from Gov. Cuomo of NY who also seems to be doing mostly the right things. Only a few things we would disagree with.

Central banks of course are panicking. They are all announcing various stimulative measures to reduce the impact of the economic meltdown. Unfortunately, many of these will be largely ineffective, too little too late.

In our opinion, this is just the start of the economic contraction unless **states and cities** rescind some of their draconian measures to confine all people to their homes. Closing the borders is the best way to reduce infections. Unless these politicians get some common sense, for the economy it is THE WORST IS STILL AHEAD.

Last week, Beijing officials **expelled over a dozen US journalists** working for the NY Times, Wall Street Journal and Washington Post - a counter to the US placing a cap on how many Chinese journalists can work in the United States, according to *Bloomberg*. However, we noted that right thereafter, China started reporting, "no new infections by the virus."

As usual, the foolish man-made crisis is worse than the one from nature.

CURRENT POSITIONS—BUYS (LONGS):

Our long positions were slightly weaker today. The remaining two longs are biotech firms that have products being tested now in the fight against the COVID-19 VIRUS. We would have sold COST and WMT today per Friday's message. We would hold.

Symbol	Name	Price	\$ Day Change
GILD	Gilead Sciences Inc	72.61	-0.65
Slipped to 72.61 on declining volume. It is a leader in the fight against HIV. Traders seem to have become impatient with its drug, Remdesivir, an HIV drug, which is now being tested in China against the virus. As we had written, this is a risky position.			
MRNA	Moderna Inc	26.57	-1.63
Also declined on lower volume. The timeline for possible testing and approval of their drug against the virus is much longer.			

New subscribers: we would not implement new positions.

CURRENT POSITIONS—SHORT SALES:

We would have closed out our short positions today per Friday's message.

CONCLUSION:

Having closed out our short positions today, we would now only have limited long exposure. Let's relax and watch from the sidelines to see what happens over the next few days.

Wishing you successful trading,

Bert Dohmen and team

IMPORTANT NOTE: we will publish a new issue only when:

1. There is a change in our positions, or
2. There is a new recommendation, or
3. There is an important event we consider significant to our trading strategy

This will also make it less tedious for our valued subscribers. Time is precious for all of us.

We hope you will support us on this clarification of our publishing schedule. We look forward to continuing to help you become a better, more informed, and more successful trader.

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If for any reason you need to call our office, please leave a short but clear message with your name and telephone number.

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When I give advice to buy or sell in certain price area, I do it so that not all of our orders are sitting at exactly the same price. By "area", I mean a range. Our rules of thumb are as follows:

[< than \$15] = ± 0.25; [< than \$30] = ± 0.50; [< than \$50] = ± 0.75; [< than \$100] = ± \$1.00; [> than \$100] = ± \$1.50.

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BOOKS by Bert Dohmen

PRELUDE TO MELTDOWN (\$15)

The truth behind the global financial crisis of 2008 REVEALED! This book may save you a fortune! Bert Dohmen, who warned at the beginning of 2008, that starting in September '08 the global financial markets would teeter on the brink. (go to <http://dohmencapital.com/PreludetoMeltdown.html>)

FINANCIAL APOCALYPSE (\$25)

Do you want to know where the global markets are likely to go over the next several years and how to interpret the clues for yourself instead of listening to the pundits? Here is the book that will show you. It is a step by step account of the 2008 financial crisis, with charts, technical indicators, and credit market analysis, which gave us all the clues that in the fall of the year we would encounter something similar to 1929. This book is the road map for the next global crisis. It's a collector's item and can be used as a reference book to see what Wall Street tells investors to keep them in the markets even while they are selling themselves. (go to <http://bookapocalypse.com/>)

THE COMING CHINA CRISIS (Edited Edition) (\$25)

Bert Dohmen's SPECIAL E-book on the coming China Crisis presents the case that China will produce a Tsunami throughout the global economies. China was the locomotive of the globe, the financing mechanism for the immense US debt, the source of incredible demand for commodities and oil, and the economic power of Asia. That is changing now. (go to <http://dohmencapital.com/thechinaCrisis.htm>)

THE CHINA CRISIS IS HERE (\$20)

In this special follow up e-book to the prescient *The Coming China Crisis*, Bert Dohmen explains the true China credit crisis actually started in 2014, when overnight interest rates tripled from one day to the next. That was quickly covered up with massive credit creation by the government. The result was an immense stock market bubble. All bubbles eventually implode and that is exactly what happened to the "China bubble," which burst in June 2015. Wealth equivalent to half of China's GDP was wiped out in a matter of weeks. (go to <http://dohmencapital.com/the-china-crisis-is-here/>)

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