



Bert Dohmen's **SMARTER TRADER™**

The Premier Advisory for Active Traders

“Celebrating Our 39th Year of Guiding Investors Successfully”

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MARKET DATA:

	LAST	CHANGE	% CHG
DJIA	15660.18	-254.56	-1.60%
Nasdaq	4266.84	-16.76	-0.39%
S&P 500	1829.08	-22.78	-1.23%
Russell 2000	953.72	-9.77	-1.01%
Global Dow	2046.14	-33.83	-1.63%
Japan: Nikkei 225	15713.39	-372.05	-2.31%
Stoxx Europe 600	303.58	-11.61	-3.68%

Issues	NYSE	NASDAQ
Advancing	595	872
Declining	2,568	1,971
Unchanged	51	85
Total	3,214	2,928
Issues at		
New 52 Week High	37	7
New 52 Week Low	709	497
Share Volume		
Total	5,476,951,656	2,804,370,466
Advancing	1,059,915,009	782,722,313
Declining	4,387,334,097	2,013,403,419
Unchanged	29,702,550	8,244,734

MY VIEW:

The DJI plunged from the open today, falling more than 400 points intraday, then found some support in the afternoon to “only” close down 254 points. This marks the second consecutive day the DOW was the weakest major index.

The warning came from Asia overnight when stocks in Hong Kong fell sharply, losing over 4%.

As a trader it's important to look at the Asian markets before you go to bed. Hong Kong reopened after a 3-day closure for the Lunar New Year holiday.

The opening occurred on huge downgaps of stocks and indices. Downgaps always indicate an urgency to dump. It basically locks the bargain hunters of the past two weeks in with losses. Most money managers and investors will not sell anything that has a loss. That's a huge mistake. Thus, they will ride the positions down to the bottom in a big bear market.

The NASDAQ COMP was almost sturdy in comparison when the DJI was at its lowest. That suggests that a number of those stocks were being bought while the perception was that the market was just falling apart. Short sellers now have to be cautious.

The internals were all negative, as volume picked up today. Declining volume was 4 times greater than advancing volume on the NYSE, while on the NASDAQ the ratio was about 2.5 to 1 in favor of declining volume.

The number of new 52-week lows increased to 709 on the NYSE, the highest number we've seen since January 20th, when the DOW plunged over 530 points intraday. However, here is also a positive: on Jan. 20, the last time the S&P and some other indices were this low, the **number of new 12-month lows on the NYSE were 1395**. This means that more stocks are stronger now.

In fact today, the S&P 500 fell below its January 20th intraday low, which is important support, before rebounding slightly above that low. But it didn't close above the closing low of Jan. 20, which is negative.

The poorest chart is the Russell 2000, as it broke below its January 20th intraday low and actually closed below it. This is very important, as the index was supported over the past 3 days when it approached the 958 area. Now it looks like a downside breakout.

If the general stock market is to have a bounce or another rally attempt from these levels, that would have to be reversed tomorrow.

As you can see, the picture is not uniformly negative after today.

The majority of investors who bought in 2015 are now locked in with losses. Those who followed the advice in the media the past two weeks are now also locked in with losses.

You can bet that the major central bankers will now burn up the conference call phone lines planning support maneuvers for next week. China could go up heading into Monday. After all, the Chinese financial firms are limited to the amount of stocks they can sell. Their government basically is the market now.

Then European markets could be maneuvered higher over the weekend, with the US following on Tuesday (since Monday is a holiday). The most recent bears would be squeezed. This is not a forecast, just thinking what we would do if we were the central banks.

After the close, a news item said that JPMorgan CEO Jamie Dimon bought 500,000 shares of his bank. This always happens before a serious crisis. It's a frantic effort to demonstrate

confidence. When CEO's feel it necessary to make a news announcement that they are buying stock in the firm, it means panic.

China markets re-open on Monday. That should be exciting. Unfortunately, the US will be closed that day.

Oil made a new low in this bear market and hit the lowest price in more than 12 years, with WTI crude at \$26.31. It's the lowest since May 2003. There was a rumor that OPEC would have another meeting and decide on cutting production. That produced the late day rally in oil and stocks from the lows. Even the WSJ writes that this was one of many similar rumors over the past several weeks. OPEC oil cuts are unlikely, and if they are agreed upon, oil producers will disregard them.

Gold soared \$52 as Asians and other worried investors now treat gold as a 'safe haven.' This is much stronger buying than the upmove into the 2011 top when US hedge fund managers provided the buying power.

That rally was followed by a plunge in gold. The Fed started its QE in 2011, and all the gold bulls, including us, were surprised that it was followed by a decline in gold. This time the big buying is from consumers in Asia. They are much longer-term gold investors.

Now the markets have learned that QE doesn't bring inflation nor prosperity. It brings a credit crisis. And that's why banks around the world are now getting into big trouble. Just two months ago, all the analysts were recommending bank stocks. We had the opposite view. They were wrong. The banks are giving very loud warning signals.

In the meantime, big smart money around the world is going into US Treasuries. It's the only true safe haven, aside from gold. But it is more liquid and more acceptable for a large hedge fund or money management firm than gold.

Oil inventories at the largest US storage in Cushing is now at 64.7 million bbl. Apparently, the capacity is 73 million. There will be frantic dumping if inventories get to 70 million. We think exports from the US to Europe will increase, which would put price pressure on Brent Crude (Europe).

The central bank of Sweden lowered the benchmark interest rate further to minus 0.5%, from 0.35%. Just as in the US, it wants to create 2% inflation. And just as in the US, the more it cuts rates, the weaker the economy and inflation get.

We and a few other analysts would be happy to clarify to them why that happens. In the meantime, the central banks will continue to do what didn't work before.

Japan instituted NIRP two weeks ago. Thereafter, a government bond sale failed. There were insufficient buyers. Imagine! This is the country that has the highest debt to GDP ratio in the world. How will they service that debt?

Janet Yellen said the old 'saw' today, "expansions don't die of old age." We have heard that many times in the last year. The point apparently is that the central bank (Fed) stops the expansion by tightening money. That is so wrong.

She said: "We want to make sure the expansion continues." She obviously doesn't believe in cycles. Does she believe in seasons, like winters and summers or would she also stop those?

She sees a "recovery in housing." What does that mean? There are still 20 million homes in the US worth less than the mortgage. These people can't sell. Is that the "recovery" she means?

The problem now compared to 2007-2008 is that in the last cycle, people still had good equity in their homes. That was their greatest store of wealth. In the approaching financial crisis now that cushion is gone.

In the Senate hearing there was lots of mention that we now have "full employment." We are led by fools and incompetents. Economist John Williams calculates that unemployment the way it was measured before all the fudge factors of the last 35 years, which gives us an unemployment **rate of 22.9%**. That counts the people who are not counted now, like those who haven't looked for a job for 30 days, those who haven't had a job for one year. Currently, those people don't exist anymore for the employment statistics.

Kyle Bass, a very accomplished hedge fund manager, put out a note yesterday that the China banking crisis will be 400% bigger than the 2008-2009 crisis in the US. Today we got some numbers. He said that 10 years ago, total bank loans (assets) in China were about \$3 TRILLION. Today it is over \$34 TRILLION.

Well, we wrote about the over-extended banking system [3 years ago in our book on China](#).

CURRENT POSITIONS—SHORT SALES:

Our short positions had a great day today, one plunged over 17%, as the markets continued to plunge lower. **Tomorrow, we would reduce all short positions by 50%. Example: If you have 1000 shares short in one position, reduce it to 500, and so on for the other positions.**

Failsafe stop: If the S&P 500 is above 1883 anytime during the day, we would close out all remaining shorts. That is far away, and would indicate substantial buying.

Symbol	Name	Price	\$ Day Change	% Day Change
NAV	Navistar International Corporation	6.80	-0.37	(-5.2%)

Fell 5.2% and closed at 6.80. In a bear market, this will go below 5. The bounce of the past two weeks should be over now.

PHH	PHH Corporation	10.30	-0.51	(-4.7%)
Dropped 4.7%, setting a new 4-year low to close at 10.30. A finance company. This sector is now week because of concerns about default rates.				
BID	Sotheby's	19.13	-4.06	(-17.5%)
Plummeted 17.5%, closing at 19.13 to set a new 6-year low. Auctions for an increasing number of items are failing or selling far below estimates. The boom is over. This firm should suffer.				
LM	Legg Mason Inc.	25.20	-0.96	(-3.7%)
Down 3.7%, closed at 25.20, its lowest price since December 2012. This is a mutual fund firm that is geared to a bull market.				
FIT	Fitbit Inc.	13.78	-0.90	(-6.1%)
Declined 6.1% to make a new all-time low. Still vastly oversold with a p/e of 52. There is no difficulty for anyone else entering this space.				
FITB	Fifth Third Bancorp	13.94	-0.73	(-5.0%)
Down 5%, closed at 13.94. We think banks are in trouble. Interestingly, every analyst says banks are so much stronger than during the last crisis. But are they strong enough to withstand the tidal wave from energy sector loans?				
SAGE	Sage Therapeutics, Inc.	30.66	+1.15	(+3.9%)
Higher by 3.9% to close at 30.66. Has no earnings. Selling is picking up.				
ADBE	Adobe Systems Incorporated	74.94	-0.59	(-0.8%)
Slightly lower, closing at 74.94. It could have a few more days of selling.				
AXON	Axovant Sciences Ltd.	10.56	+0.09	(+0.9%)
Slightly higher, closed at 10.56. This is a biotech firm that has no earnings. A \$5 target would seem appropriate.				
FLXN	Flexion Therapeutics, Inc.	11.25	-0.16	(-1.4%)
Down 1.4%, closed at 11.25. No earnings.				
ADRO	Aduro BioTech, Inc.	14.01	+0.47	(+3.5%)
Up 3.5%, closing at 14.01. Nothing but air underneath.				
ENLC	EnLink Midstream, LLC	8.69	-0.79	(-8.3%)
Plunged 8.3% to close at 8.69, reaching its lowest level since August 2011. Big bear market in this stock.				
SUN	Sunoco LP	23.20	-0.61	(-2.6%)
Declined 2.6%, closed at 23.20 to mark a 3-year low. Big selling.				
W	Wayfair Inc.	34.28	-0.20	(-0.6%)
Slightly lower closing at 34.28. It has no earnings. Was a darling of the momentum crowd. Has no earnings and is now being dumped.				

New subscribers: we would not initiate new bearish positions.

CONCLUSION:

We have had some great profits. These will pay the subscription price for a long time. Congratulate yourself if you are participating. The important thing is never what something costs, but what it brings you. There are plenty of places with “free” advice, that “free” can be very, very expensive.

We would reduce exposure on Friday. We believe that professional traders will close out part or all of the shorts tomorrow.

There is a long weekend, and anything can happen. As a trader, you never want to get that last dollar. That’s usually very expensive. Be satisfied with good profits, and don’t try reach for the moon each day or week.

Wishing you successful trading,

Bert Dohmen and Team

P.S. Read my latest article on Forbes.com about Why the Next Two Years Could Be Worse Than 2008! **Click or copy this link:** <http://onforb.es/1nDwy3r>

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<http://dohmencapital.com/comes-recession-bear-market/>

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<http://dohmencapital.com/why-apple-will-enter-a-bear-market-in-2016/>

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<https://www.youtube.com/watch?v=5hQVLiZ8mfw>

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<https://www.youtube.com/watch?v=Hm0A1GHtD7A>

11/25/2015: Retail Needs A 'Christmas Miracle'

<http://dohmencapital.com/retail-needs-christmas-miracle/>

11/20/2015: What's ahead for the China market? (chart video)

<https://www.youtube.com/watch?v=-cZrUx1T-Uk>

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<https://www.youtube.com/watch?v=5W5NiHNlx0A>

11/5/2015: Year-End Rally Now, But Then What?

<http://dohmencapital.com/year-end-rally-now-but-then-what/>

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<https://www.youtube.com/watch?v=Ni9PrXM7DDI>

11/2/2015: S&P 500 and what clues are the Junk Bonds giving now (chart video)

<https://www.youtube.com/watch?v=TSoxmRKVWho>

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

NOTE: Because we have been publishing this service much more frequently than what was promised, some subscribers may think that this is a daily service. **We will publish a new update whenever the Dow Jones Industrials Index has a daily change of 120 points or**

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BOOKS by Bert Dohmen

E-Book "THE COMING CHINA CRISIS," (October 2011) No bubble grows forever. China's real estate disaster. \$25.-

FINANCIAL APOCALYPSE (May 2011) A step by step account of the 2008 financial crisis. \$25.-

PRELUDE TO MELTDOWN (September 2008) The truth behind the Global credit crisis. \$15.-

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