



# Bert Dohmen's SMARTER TRADER™

The Premier Advisory for Active Traders

**“Celebrating Our 41<sup>st</sup>\* Year of Guiding Investors Successfully”**

**Issue # 180 – October 11, 2018**

(Last Smarter Trader sent: October 10, 2018)

## MARKET DATA:

	LAST	CHANGE	% CHG
DJIA	25052.83	-545.91	-2.13%
Nasdaq	7329.06	-92.99	-1.25%
S&P 500	2728.37	-57.31	-2.06%
Russell 2000	1545.38	-30.03	-1.91%
Global Dow	2945.10	-68.54	-2.27%
Japan: Nikkei 225	22590.86	-915.18	-3.89%
Stoxx Europe 600	359.65	-7.28	-1.98%

Issues	NYSE	NASDAQ
Advancing	640	840
Declining	2,386	2,248
Unchanged	58	94
Total	3,084	3,182
<b>Issues at</b>		
New 52 Week High	9	13
New 52 Week Low	526	401
<b>Share Volume</b>		
Total	4,904,871,336	3,148,339,170
Advancing	823,819,940	1,151,286,536
Declining	4,063,384,296	1,981,732,363
Unchanged	17,667,100	15,320,271

Source: wsj.com

## MY VIEW:

### Markets:

Markets plunged again today as the DJI led all other major indices lower, losing 545 points (over 2.1%) by the close. From the peak of October 3 to today's low, the DJI lost over 2000 points. As we said last week, watch the air being let out of all the upward manipulated stocks, which includes the 30 large caps stocks in the DJI.

The S&P 500 also plummeted by over 2%, now on a 6-day losing streak, while the Russell

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Page 1 of 9

2000 fell 1.9%. Daily moves over 1% in an index are considered meaningful. Over 2% is significant.

Tech stocks were not as weak today as they were yesterday, which led to the NASDAQ having the smallest loss today, although it was down 1.3%.

All four major indices are now below their 200-day moving averages, **a level that the DJI, NASDAQ, nor the Russell 2000 has closed below anytime this year.** That suggests they are in bear markets or on the way there.

The VIX (volatility/fear index) hit its highest level since the super-fast plunge going into February 12<sup>th</sup> and is now near 25.

At the close, there were 529 stocks making new 52 week lows on the NYSE, which was higher than the 502 yesterday. That's bearish. It means that even more stocks were weaker today than yesterday.

We also had higher total volume by about 10% with 4.9 billion shares traded on the NYSE, which is also bearish on a big decline.

All 11 S&P sectors suffered losses once again today with Energy getting hit hard today, falling 3.1%. Crude oil's 3% decline is to be blamed for weakness in Energy stocks as Crude settled around \$70.97/bbl, a three-week low. But why was oil down? Fears of global recessions, which of course you can't say yet if you want to be considered rational.

Five other sectors dropped more than 2% lower today including Financials, Real Estate, Health Care, Consumer Staples, and Industrials. This is more than a sentence. Imagine, each of these important sectors was down what is considered "significant."

Looking at the sector ETFs, 8 of the 11 are now below their 200-day moving averages. That is also significant. It means they are in bear markets using the definition used by technicians.

The chart below shows how the S&P 500 was manipulated far higher than the very broad NYSE COMPOSITE, which includes many more stocks. The spread between the two indices went to an extreme. The blue line is S&P, the candlestick is the NYSE. Now the plunge narrowed the spread again, although it is still not back to normal.



At about 2:30 pm EST today a huge sell-program hit the markets. The loss in the major indices doubled in a very short time. It was “urgent dumping.”

This was very reminiscent of April 2000. At that time hedgefund ace Stanley Druckenmiller, who managed the Soros funds, decided he had overstayed the longs and had to get out. He knew that trying to do it slowly over time would alert market makers and other funds, which would cause them to sell ahead of him. So he decided to dump everything at once. It produced a shockingly big decline that day.

He turned out to be right as that turned into the big bear market of 2000-2002. The top of the NASDAQ was made the prior month on March 10, the day we wrote:

“When the Fed takes this attitude, it results in a crash.” We started selling short at that time.

### **Commentary:**

At the low today, the DJI was down 699 points. Some say that was “capitulation,” which would mark at least a temporary bottom. However, in our opinion, that should have been followed by a rally into the close. Instead, the market weakened meaningfully into the close. That suggests the bottom is not in place although a bounce could occur.

We have written this week that the technicals and market behavior are very similar to what we saw ahead of the Crash of 1987. Today was once again similar. That suggests the market could see a real “flush out,” possibly on Friday (tomorrow) or Monday.

Now the over-invested money managers are looking at sectors that are most vulnerable to

rising interest rates, and a weaker economy. It's a little late. Had they followed our [WELLINGTON LETTER](#), they would have done that for several months.

The insurance firms are getting hit. They have their reserves in bonds and Treasuries. Rising rates cause these investments to decline significantly.

Expectedly, the failed economic advisors of the past were criticizing president Trump for his remark that the tight policy of the Fed is "crazy." He could have said it more diplomatically, but that's Trump. He doesn't beat around the bush.

Early this morning the stock market tried to rally as word was of a possible meeting of President Trump with Chinese President Xi Jinping at next month's G-20 meeting in Argentina. Remember, yesterday we said that a trade agreement with China would cause a big short covering rally, although trade is not the problem for the stock market right now.

However, that meeting won't occur until November 26. That gets us beyond the November 6 election, into what we consider could be a more positive period for the markets. If the GOP wins as we expect, it would give president Trump a strong hand going into that meeting.

The big problem period is ahead of the election. Thereafter, there could be some good buys for those who have cash. Depending on the election outcome, there could be some big short covering after the election.

Tomorrow kicks off "earnings season" with a few of the major banks reporting, including JP Morgan. We'll have to see if Jamie Dimon, CEO of JPM, can place another "Jamie Dimon Put" as he did on February 11, 2016 when he announced (and bought) \$26.6 million of JPM stock. That day marked the bottom of the market correction at the time.

### **CURRENT POSITIONS—LONGS:**

We would have closed out both long positions (gold miners) today with nice profits per yesterday's message as they were up sharply. They should have a pullback tomorrow.

### **CURRENT POSITIONS—SHORT SALES:**

Our new short positions had a great day, with all but two closing lower, one of which plunged over 10% today. We would hold.

Symbol	Name	Price	\$ Day Change
<b>SHAK</b>	<b>Shake Shack Inc</b>	<b>55.98</b>	<b>-1.22</b>
Down 2.1% today. People love their burgers. But a P/E of 561? Support is at 55, and then 45.			
<b>HES</b>	<b>Hess Corp</b>	<b>65.50</b>	<b>-1.69</b>
Declined over 2.5%, sliding below its 100-day m.a. but pared some of its losses to close above that level. It is in the energy business. The energy complex will now have the air let out of it. Plunging markets bring specters of recessions, which bring the thought that there will be less energy consumption.			
<b>CMC</b>	<b>Commercial Metals Co</b>	<b>19.00</b>	<b>-0.37</b>
Fell to a new low for the year after losing 1.9%. Has a lofty P/E of 42. It is in the steel business.			
<b>CF</b>	<b>CF Industries Holdings Inc</b>	<b>51.13</b>	<b>+0.79</b>
Mild rise after its 8% plunge yesterday. It is in the agriculture and fertilizer business. The balloon was blown up over the past 2 months and now the gas will be let out. Had a big drop today. But that is only day one.			
<b>AAXN</b>	<b>Axon Enterprise Inc</b>	<b>56.19</b>	<b>-1.47</b>
Dropped 2.5% to set a new 4-month close. It makes tasers, body cameras for law enforcement, etc. Has a lofty P/E of 180. The 45 area is a good target.			
<b>GRUB</b>	<b>GrubHub Inc</b>	<b>114.33</b>	<b>-3.49</b>
Fell 3% while "filling a gap" from late July. It's in the food delivery business. Has a P/E of 89. The business is getting saturated. People will have to eat a lot more to make these firms successful. What if they all go on Weight Watchers and no one eats restaurant food anymore because you don't know what goes into the food. On the chart, the 100 would be a good first target.			
<b>TWLO</b>	<b>Twilio Inc</b>	<b>69.29</b>	<b>+1.27</b>
Slight rise back above its 100-day m.a. In the cloud software business. The 60 area is first support perhaps for a bounce. Eventually could see it around 40.			
<b>I</b>	<b>Intelsat SA</b>	<b>29.34</b>	<b>-0.14</b>
Mildly lower, now down 5 consecutive days. First support is 25 area. Should go at least to 20. No earnings.			

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Page 5 of 9

**SQ**

**Square Inc**

**69.03**

**-8.42**

Plunged 10.9% today, falling and closing below its 100-day m.a. for the first time this year. It's in the digital payment business. Was blown up into the late September top to a price of 100. Many are trapped at high prices now. There will be dumping by these people. First support is 70 area. Eventually the 58 area.

**New subscribers:** any of the above could be considered after you check them out yourself.

## CONCLUSION:

The market volatility has soared. Intraday trading is not recommended by us as it gets your emotions involved.

Nobody can forecast each of the daily moves. However, we do know that any upside potential is very limited because of the great supply overhanging the market.

Wishing you successful trading,

Bert Dohmen and team

DISCLAIMER for ALL POSITIONS: We (Dohmen Capital) usually try not to have positions in the stocks mentioned and instead go into the same sector with a similar stock for ourselves. This is to avoid any appearance of conflict. However, if there are not enough stocks with good volume and fundamentals in the sector so that we have an alternative for our own accounts, we may have positions in any of the stocks mentioned in the services from time to time. The buys and sells may be different than the suggestions in this service.

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Page 6 of 9



## ANNOUNCEMENT:

### Our KINDLE BOOK: *FINANCIAL APOCALYPSE*

***Do you want to detect the next global financial crisis before all the Wall Street analysts do? Here is how.***

*Our book, FINANCIAL APOCALYPSE, until now only available in print, can now be bought for download into your Kindle or iPad. It is a step by step account of the 2008 crisis and how we detected all the signs of the approaching crisis while Wall Street and Washington were apparently, or intentionally, oblivious to the all the warnings.*

*We consider the book as a guide to the next crisis. You will see charts and our credit market analysis which can be applied to any scenario. Just go to Amazon.com. And best yet, the price is **only \$9.99**.*

### HOW TO CONTACT US:

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### WHAT "AREA" MEANS IN SMARTE TRADER:

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.

**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 more, or if there is a very important event or news items which will affect our positions.** That way we can preserve our time and energy for analyzing new, potential opportunities, rather than just repeating what happened in the markets on a boring day. We are confident that our loyal subscribers will understand this.

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Page 7 of 9

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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

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Page 8 of 9



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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