



Bert Dohmen's Fearless ETF Trader™

“Celebrating our 41st* Year of Guiding Investors Successfully”

Issue # 176 – October 4, 2018

(Last Fearless ETF Trader sent: October 3, 2018)

MARKET DATA:

	LAST	CHANGE	% CHG
DJIA	26627.48	-200.91	-0.75%
Nasdaq	7879.51	-145.58	-1.81%
S&P 500	2901.61	-23.90	-0.82%
Russell 2000	1646.91	-24.38	-1.46%
Global Dow	3096.40	-22.76	-0.73%
Japan: Nikkei 225	23975.62	-135.34	-0.56%
Stoxx Europe 600	379.68	-4.16	-1.08%

Issues	NYSE	NASDAQ
Advancing	625	674
Declining	2,417	2,392
Unchanged	56	110
Total	3,098	3,176
Issues at		
New 52 Week High	36	34
New 52 Week Low	425	182
Share Volume		
Total	3,491,564,986	3,282,808,645
Advancing	1,193,300,996	698,704,146
Declining	2,230,497,718	2,573,192,840
Unchanged	67,766,272	10,911,659

Source: wsj.com

MY VIEW:

Markets:

We warned yesterday and earlier this week about the glaring bearish divergences in the stock market. These divergences have been accelerating for several months. We have felt pretty confident this week that a top for the entire market was being made. It looks like it now.

Here are the clues we see. Of course, anything can still happen.

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This includes the FANGMAN stocks (FB, AMZN, NTFLEX, GOOG, MSFT, AAPL, NVIDIA) that accounted for almost all the gains of the S&P 500 this year. They were used to maneuver the indices higher. Now that the “distribution” of stocks has been accomplished and the trap probably closed, these overpriced stocks will be dumped.

The sudden sharp decline today was the typical closing of the “bull trap” we have referred to for several weeks. At the low, the DJI was down 356 points.

The NASDAQ plunged 1.8% today, one of the worst days we can remember, except for some of the crashes over the past 15 years.

Volume was consistent with yesterday, with around 3.5 billion shares traded on the NYSE. However, today’s internals were much more negative. There were 3.8x and 3.5x more declining stocks than advancing stocks on the NYSE and NASDAQ, respectively.

Declining volume was 1.9x heavier than advancing volume on the NYSE and a whopping 3.7x heavier on the NASDAQ. That shows “urgent” selling.

Looking at the number of New 52-week lows on the NYSE, which we’ve referred to over the past several days, it hit **425 today**, versus 262 yesterday. That’s the highest number we’ve seen for months.

Those who bought over the past several weeks are now sitting with a number of stocks under water. It is human nature not to sell a stock that has a loss. Big mistake! The first loss is the best loss.

Now all these money managers will be waiting for a rally to erase those losses and so they can “get out even.” This causes rally attempts to fail, and then the decline usually starts accelerating.

Tomorrow is the last trading day of the week and thus should give us good clues. If tomorrow or Monday are worse than today, this could rapidly turn into a cascading decline.

But it should be very profitable to our subscribers.

Commentary:

Bond prices plunged the past 4 days, erasing over \$1 TRILLION of investor wealth. Yet analysts fail to see the real reason for the plunge. They think it’s the strong economy.

Wrong! It’s a plunge in demand for bonds for the reasons we explain in our [Special Bulletin](#) for **Wellington Letter** subscribers today.

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Treasury yields jumped to the highest level since mid-2008, a few months before the September crash that year. Let that be a warning.

As a result the emerging markets had the worst week so far since March of this year. Over the past few weeks a number of high profile analysts had recommended emerging markets. We have warned all year to stay out or go short these markets. Now they are crumbling again.

China starts trading again next week after Golden Week. Judging by the declines in the China stocks trading in the US, they should have big down-gaps on Monday in China.

Be sure to go to Twitter, @bertdohmen, for our tweets during the day. Here is one from earlier today:

***#Bonds** plunge. One analyst just said "it's a healthy move" as it confirms a strong economy. He doesn't know the true facts I explain in our WELLINGTON LETTER. This week's plunge erased over \$1 TRILLION. That's "healthy?" It will get very exciting.*

Central banks are selling a meaningful part of their bond portfolios, which is putting pressure on the markets. In effect, it is a tightening. This week, the ECB announced a reduction of stimulus by 50%. Yes, it has still been buying government bonds.

This month the Fed's reduction of its balance sheet jumped by \$30 billion of Treasuries and \$20 billion of mortgage securities. That's \$50 billion per month withdrawn from the financial system, a big amount.

CURRENT POSITIONS—SHORT SALE ETFs:

Our short sales of ETFs were all lower as Emerging Markets were weaker, which is what we want on the short side. We see the emerging markets coming under pressure again, perhaps today is that turning point. Note that the ETFs below hold non-US positions. We would hold all positions at this time. Don't get overextended. A trade agreement with China, or talks, could cause a sharp rally.

Symbol	Name	Price	\$ Day Change
TUR	iShares MSCI Turkey ETF	21.77	-1.33

Fell 5.8% today on rising volume, falling below its 50-day and 20-day m.a.'s. The problems in Turkey will continue to worsen until there is a change in leadership. It's another Venezuela in the making. The ETF may be hard to short depending on the brokerage firm.

EWZ	iShares MSCI Brazil Capped ETF	36.51	-0.39
Slid nearly 1.1% today to 36.51.			
BRF	VanEck Vectors Brazil Small-Cap ETF	18.04	-0.04
Slightly lower closing at 18.04. This group of stocks is most vulnerable..			
ILF	iShares Latin America 40 ETF	32.48	-0.40
Declined 1.2% today. As we mentioned, we think support will be penetrated even after the brief bounce.			

New subscribers: we would initiate new short positions at this time.

CURRENT POSITION—BEARISH ETF:

Our Bearish ETFs were all higher today as their underlying region (or sectors) were weak. These ETFs are designed to rise as the sector (or country) declines. We would hold.

Symbol	Name	Price	\$ Day Change
BZQ	ProShares UltraShort MSCI Brazil Capped	43.92	+0.51
Up 1.2% today. Yesterday it opened on a big down-gap, which was the low for the day and as we said "could signal the day before the turn to the upside." Because it is leveraged, keep your position small. Our bearishness on the Emerging Markets is not misplaced in our opinion			
RWM	ProShares Short Russell2000	38.80	+0.54
Gained 1.4% as its underlying index was the second weakest performer of the major indices today.			
SRS	ProShares UltraShort Real Estate	29.42	+0.53
Climbed another 1.8% today, setting another new 3.5 month intraday high as the Real Estate sector continues crumble. Has a nice rounded bottom. Looks like real estate companies will have some problems. It is leveraged			

New subscribers: new positions in the above could be initiated. Don't get overextended.

CONCLUSION:

One day of course doesn't make a trend. But today confirmed everything we had noticed on our technical indicators the past few months. Of course, the HFT manipulators can still intervene and periodically squeeze the short sellers for a brief time. That cannot be predicted as it is very short term.

However, the trend since January looks very much like a bear market even though some indices made new highs recently. In fact that doesn't contradict what we say, but supports it.

Don't get overextended so that you can stay with the positions even during a brief rally against them.

Wishing you successful trading,

Bert Dohmen and team

Important: *Always remember that the ultimate decision of what to buy, sell, and sell short is up to the individual. Our information, forecasts, and securities are merely suggestions. You should always research all investment opportunities yourself.*

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Please [click this link](#) to subscribe to our YouTube Channel and receive all of our video updates instantly.

ANNOUNCEMENT:

Our new 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.

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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:

The best way to contact us is via e-mail. Your e-mail will be answered within 24 hours. office@dohmencapital.com

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

WHAT "AREA" MEANS IN Fearless ETF 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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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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