



MARKETS NOW

My late, great friend David Fuller passed away just over a year ago. David schooled a generation of investors in global investment strategy, though he was best known for his work in behavioral technical analysis. David was a lifelong student of those uncomfortably twinned human frailties, fear and greed, and their effects on markets. David wrote about “framing”, “over confidence”, “confirmation bias” and “bounded rationality” long before psychologist Daniel Kahneman won the Nobel Prize for Economics and they were coined as explanations for much that is irrational or affective in human behavior.

Bruce Albrecht and I were regular speakers at David’s “*Markets Now*” evenings in London.

Today, David’s chosen successor, Eoin Treacy, carries David’s baton. Eoin’s platform is www.fullertreacymoney.com and his daily audios cover the waterfront of global markets; Eoin has views on anything that “trades”. I try to listen every day with my morning coffee.

What is Eoin now saying about the world? *We are near a critical point in terms of both time and price.*

- Global equity markets. We risk having completed a Type 2 Top (a vicious counter trend collapse that confirms a bear market); watch the interplay of the 200-day and 1000-day moving averages as the markets try to establish a range between these 2 critical indicators. If ranges lead to higher trending (higher highs, higher lows), we’re OK. If not, prepare for an equity bear market
- Losers. The transportation sector at the epicenter of global risk (watch Dow Transports, airlines)
- Winners. It’s a binary world. Certain sectors (Philadelphia semiconductors, tech, pharma) are doing well. Back them and their constituents, mostly FMCG, healthcare and tech stocks
- Gold is confirming currency devaluation in all major currencies. Gold is in a bull market.

89-year old Warren Buffett led the Berkshire Hathaway AGM on Saturday from a flat screen. Apart from some typically courtly but damning comments on airlines, the slide that impressed was Berkshire’s investment activity in April, surely a time to buy if you’re a bull after such a major sell off. Sales: **USD 6.5bn** (mostly airlines). Investments: *USD 0.4bn*. Result: *USD 137bn cash*. Not a vote of confidence.

Pain Trades. Leon Cooperman’s comments reported here last week (“*S&P500 expensive at 2800 and fair value at 2550*”) seem prophetic. 2955 last Wednesday may have been the high for a while. Some say 2550 awaits, **-10%** or so from here. Thanks to star trader Nag Bharatula of G20Strategies for explaining to me why this is a buying opportunity. Traders like to work out “*The Pain Trade*”, the market direction, up or down, that will hurt most people in the most ways for most of the time. Nag says the pain trade is “up”. Digitalization and healthcare are tomorrow’s winners for traders. For investors too, I would add.

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