THE SUCKERS RALLY

THE SCHENK GROUP

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We believe that odds are high that stocks and mutual funds will again decline, maybe to the lows reached in March or maybe lower.

The rally we just experienced off the March 23rd low was likely a classic Suckers Rally, and we believe very strongly that people need to reduce exposure to stocks when measurable conditions suggest risk is high.

First, when we look past the headlines at stock market sectors like Small- and Mid-sized companies, Financials, Industrials, Materials, Energy, Discretionary (Ex AMZN), Europe, Emerging Markets, International Markets and Dr. Copper, they have ALL failed to rally above their 200 week moving average. By this stage in the rally, that should not be happening.

Second, The Schenk Group Risk Models remain on the defensive. A good way to think of what our risk indicators do is like measuring an advancing military force. A healthy market is like an army with a deep and disciplined line. That line has strength and weight behind it. It can move and push through barriers. A weak market shows the soldiers leaving the field and the generals all alone.

Finally, investors are demonstrating high complacency by buying very little portfolio insurance (Put Options), very much like levels reached in January this year.

For those that say we never went into a Bear Market or we are no longer in a Bear Market, I say that as long as these indices that I mentioned are below the 200 week moving average and our Risk Models are Bearish, we are still in a Bear Market!

We are not predicting the future with this article, but we are systematically measuring market data and harnessing the power of probability.

It is time to have the defensive team on the field, be selective in stocks, keep your stops tighter and diversify in currently excellent opportunities in corporate bonds and alternative investments.

Call us if you would like to learn how to protect your savings from the next bear market, whenever it comes.

Stay vigilant as this Bear Market is still alive and well, no matter what the headlines tells you.