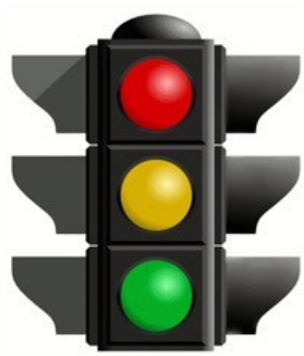
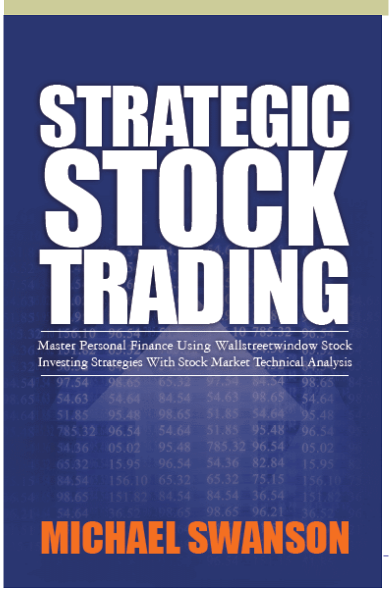
Stock Market Barometer

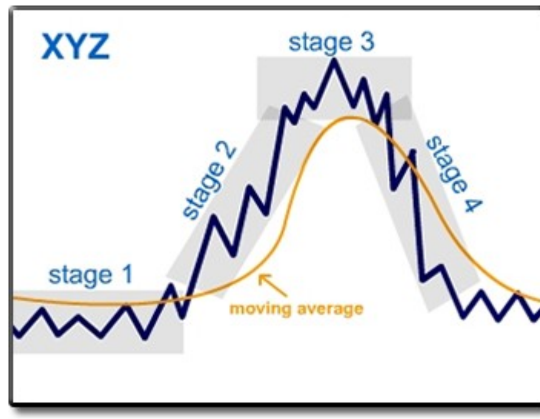
The Most Influential Financial Newsletter Read By Over 500 Hedge Fund Managers and Thousands of Elite Investors ~ July 30 2015



"At the end of a stage three top and right before a new bear market few stocks go up anymore and most stocks actually go into new bear markets."



August Is A Month Of Decision- Mike Swanson



I usually put out my monthly newsletters in the first few days of the month, but I decided to put this August issue out in the final days of July, because I think now is a critical time of decision for all of us.

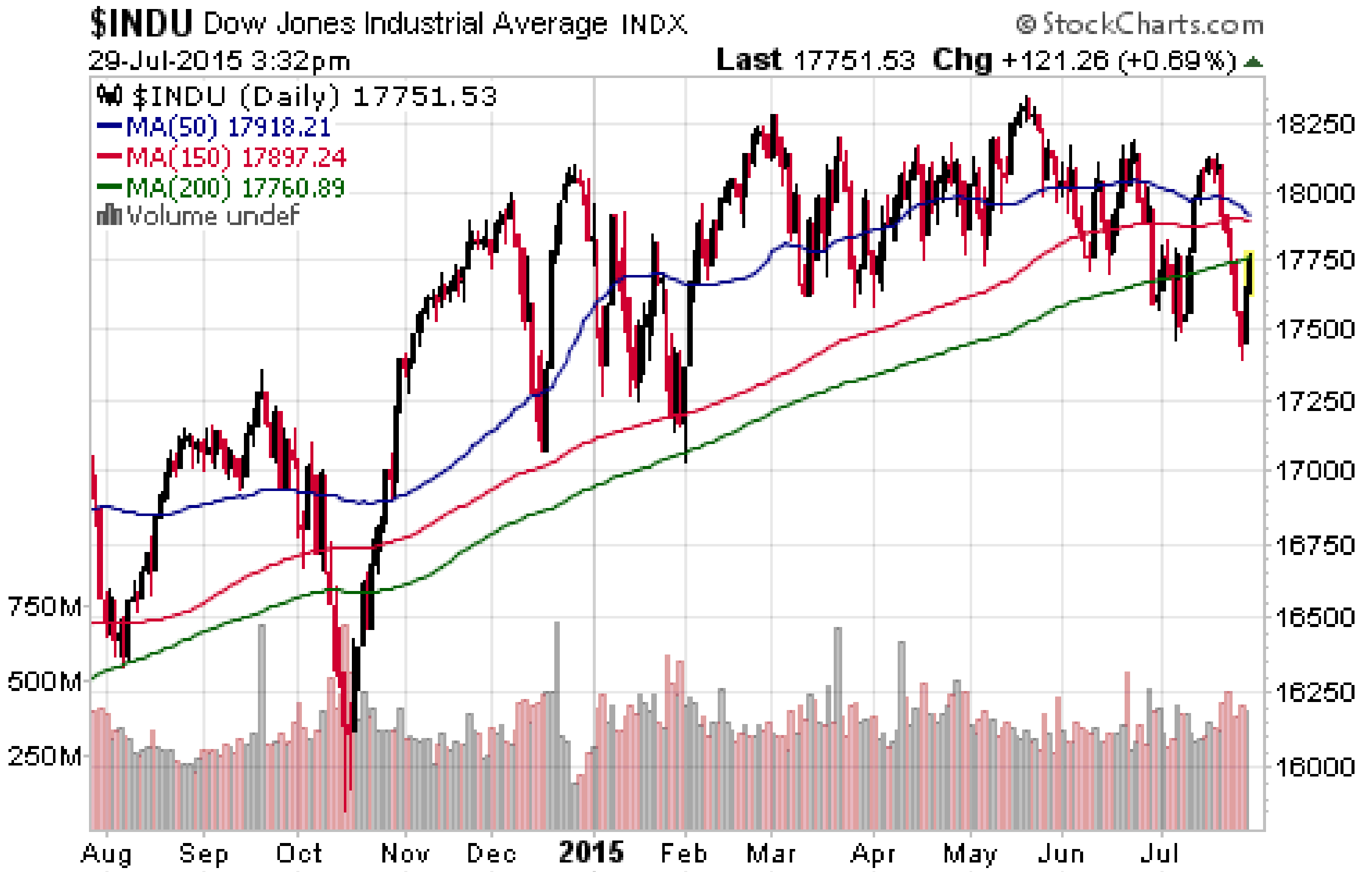
To understand what I am talking about you need to understand that going into this month I thought July would end up being one of the most important months in our financial lifetimes, because I thought it would mark the completion of a stage three top in the US stock market that would lead to a new bear market.

If you are new to this newsletter or those thoughts than please read my July newsletter here to understand what I am talking about:

http://wallstreetwindow.com/wswmonthly/wswmonthly07082015.pdf

As we started this month I was expecting a bounce to take place during earnings season that would take the market averages up to new highs. However, I thought the market bounce would prove to put in a final top in the market, because I thought it would likely come on very weak participation. I actually thought the rally might end when FB reports earnings and that I'd probably be entering short positions.

I expected the market to then peak out and go into a new bear market in August with a big leg down



for the market averages that would take them below their long-term moving averages.

Well, in reality the market actually traded worse than I thought it would. The Nasdaq did manage to make a new high on July the 20th, but was unable to rally into the end of the month. Instead there was a violent five day drop into this week and then a weak rally into the Fed meeting and this morning's opening.

In hindsight it actually looks like the DOW put in a bull market top back in May! And the S&P 500 may have done so too. Oh it rallied back up to its May high this July, but did not go through it.

The market internals have been falling to pieces ever since the DOW topped in May and as of yesterday's close 60% of the stocks on the NYSE are below their 20-day moving averages. I did a video mastermind with David Skarica this past Sunday in which we talked about the current stock market situation and why we think the market is going to be in big trouble next month. During this video I went through all of the individual DOW-30 stocks to show people what is happening to the stock market.

If you did not watch this video then you need to do so. This video is probably the most important single video I will do this year and you must watch it if you have not already done so. Just go here on Youtube:

https://www.youtube.com/watch?v=svQgOC4RFyo

I actually want to make this monthly newsletter a little short, be-

cause I want to end it with a final important point for you. But this month [internals chart above] what we saw happen was the market averages put in a low at the start of the month and then rally into earnings season. Most stocks fell to pieces during that drop with the majority of stocks going below their 200-day moving averages.

On the bounce back up though there was very little participation in the market. In fact the entire move was generated by just a few stocks. In the Nasdaq it was really a manic rush of buying in about two dozen stocks that drove the entire average up while everything else lagged, with Google, Gilead, Amazon, and Facebook being the most talked about names.

The same situation exists in the S&P 500 and in the DOW. In order to understand what is happening to the stock market I suggest that you go through each of the DOW 30 stocks one by one. What you will find is three stocks (V, DIS, NKE) that have gone practically straight up and 20 stocks that are acting like crap and seven just acting neutral. Some of the stocks are so bad though that they are falling on big volume. You need to see this for yourself in order for it to sink in what is happening.

This internal action in the stock market is the most important indicator when it comes to the strength of a market trend. At the end of a stage three top and right before a new bear market few stocks go up anymore and most stocks actually go into new bear markets. Then when the last leaders stop going up the market averages fall apart and go down for months, sometimes months on end.

That is what we are headed for and I have been trying to do my best to prepare you for this. If you read my July issue and watch the video Skarica and I did for you then you'll know. Again go here for the video:

https://www.youtube.com/watch?v=svQgOC4RFyo

Look the truth is most of the time there isn't anything important happening in the financial markets. But right now is not one of those times.

I could go on and on and repeat myself in this newsletter again everything I wrote in July and everything I said in the video, but it really wouldn't do you much good at this point if you already read and seen these arguments. If you haven't then take the time to go through that material.

If you have then now is the time to make a decision. Almost everyone reading this is fully invested in the stock market. What you need to do is prepare yourself mentally for the reality of a bear market and decide what you want to do about it.

The simplest thing to do is to TAKE MONEY OFF THE TABLE. Since 1946 there have been twelve bear markets if you use the typical definition of one being a 20% drop. On average those bear markets resulted in a 36% drop and lasted for 15 months. I think this one is likely to be very violent and fast on the way down, because of the way it went up without a correction during the stairway to heaven rally that went on from 2012-2014. That move took the market to an insane valuation point, but more importantly caused many people to go on margin. All of this will likely lead to a big and violent drop that could go down just like it went up.

You have to decide whether you are willing to sit on your stocks and lose a potential 36% of your money over the next 15 months or if you rather save yourself from such a bear attack and actually look for ways to profit from it.

If you decide you do not want to sit there and ride the next bear market down then you likely need to start to do some selling right now. This current bounce this week is very weak and there is no guarantee that it will be able to last until the end of this week. That's why I decided to write this August newsletter now a few days early instead of wait. I rather you sit and think about doing some selling now while the market is bouncing instead of consider doing so after it is falling again.

I cannot predict that this bounce that started Monday end today or next week, but I really do not think the DOW is going to make it back up to an all-time high. You cannot get out at the exact top and there is very little upside anymore. But if you can get out within 5 percent of the top and have the opportunity to sell at such a point I think you

Membership help?

To renew or cancel contact:

support@wallstreetwindow.com

should be grateful to be able to do so. Anyone who did that in October of 2007 or March of 2000 would have been very pleased with themselves. I have been saying on several radio shows all year that the average person should go 10% into cash and 10% into gold. You see once the market starts to drop gold is going to go up as people will start to expect the Fed to "do something" to make the market go up again. So gold will be able to make people money in the next bear market, even if it has crashed now and everyone says it's finished. Well who is telling you that the market is topping out?

Who told you the DOW topped out in May? No one called the DOW top. So I expect no one to call the gold bottom on TV either.

This is a very serious situation in the stock market now. This month the internals disintegrated to tell us that the bear market worries I had going into this month proved to be valid.

It is time to figure out what you want to do about that. Perhaps you should keep your TV turned off tomorrow and take a drive down the road or take a walk or go someplace where you can have some quiet and think about the future and what you want to do with your investments.

Personally I plan on making money by betting against the stock market now, trading stocks to the downside, and by investing in the asset classes and sectors that will trade counter to the bear stock cycle. But the days of put all your money in the stock market and in bonds and get rich are over.

We seem to be facing the start of a decline of the type that occurred in the Fall of 2000 and in the Fall of 2007 in the stock market over the next few months.

Again I suggest you go through the DOW 30 one by one to see what is happening. I actually went through the S&P 500 and Nasdaq 100 stock by stock too this weekend and the picture is the same. But please go through the DOW 30 or watch the video I did with Dave and take some time out to figure out what you want to do now about the stock market. It's now decision time. Doing nothing is a decision and doing something is a decision. It's all up to you.

I will do my best in the Power Investor Service to find ways to profit from this new bear cycle. I actually had some of my best years in the markets in the last two bear markets, because bear markets bring with them wild volatility that enables you to profit quickly when you are positioned with the trend and to also buy into some new breakaway bull sectors. But they start with a time of wildness that causes almost everyone to lose money. But the quicker you adjust the faster you stop getting hurt by the change in trend and start to benefit from it.

Disclaimer