

## Weekly Market Review

**eResearch Corporation** is pleased to provide a commentary courtesy of Urban Carmel of **The Fat Pitch**.

Detailed information on **The Fat Pitch** is provided at the end of the article. However, a brief overview is provided immediately below, with the article beginning on the next page.

### WHAT IS THE FAT PITCH?

Specifically, the Fat Pitch on this site refers to two situations.

First: A Fat Pitch comes at a market turning point.

Second: The Fat Pitch is a favorable investing environment.

#### Objectives

The objective of The Fat Pitch is to provide a structured, quantitative, and empirical methodology for evaluating the state of the market. At any point in time, there are a variety of factors pulling on the market. We want to determine the relative importance of each factor in order to answer two questions:

- (1) In which direction should we be investing in the market?
- (2) Are tailwinds behind this direction or are headwinds picking up?

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Director of Research

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# The Fat Pitch

April 8, 2018

## Weekly Market Summary

Summary: Trade war rhetoric is driving U.S. equities. This week, for the third time in the past month, the start of a sustained rally was clobbered by administration threats. Conversely, every interim recovery has come on the heels of conciliatory language. Long story short, what happens next in the equity market is very much a function of which trade posture the administration adopts next. Longer term, it is unlikely much of the current rhetoric will make into actual policy as it suits no one's economic interests.

Volatility has shot up in the past two months. Remarkably, investors now view volatility as the "new safe haven" and a "dependable bet." To that end, speculators are now positioned net long VIX futures to a near record extent; in the past decade, that has reliably coincided with at least a near-term top in volatility.

This past week, SPX closed below its 200-dma for the first time in over 400 days. The end of prior long streaks have not coincided with the start of a bear market since 1962. Returns after the end of these long streaks have been exceptionally strong.

\* \* \*

U.S. equities gained three days in a row last week for the first time in a month but a massive gap down on Friday and further follow-through selling turned the markets negative for the week and (mostly) for the year. The following table is from AlphaTrends:

### APRIL 6, 2018

	Yest	Today	Chg	Chg%	WK %	MTD%	YTD %
SPY	265.65	259.72	-5.93	-2.23%	-1.30%	-1.30%	-2.68%
QQQ	160.60	156.63	-3.97	-2.47%	-2.19%	-2.19%	0.56%
IWM	153.40	150.36	-3.04	-1.98%	-0.97%	-0.97%	-1.38%
SMH	102.50	99.46	-3.04	-2.97%	-4.62%	-4.62%	1.69%
IBB	104.18	101.03	-3.15	-3.02%	-5.35%	-5.35%	-5.38%
DIA	244.88	239.13	-5.75	-2.35%	-0.94%	-0.94%	-3.33%
USO	12.83	12.51	-0.32	-2.49%	-4.43%	-4.43%	4.16%
XLF	27.84	27.17	-0.67	-2.41%	-1.45%	-1.45%	-2.65%
TLT	119.79	121.10	1.31	1.09%	-0.66%	-0.66%	-4.54%
VXX	46.95	49.76	2.81	5.99%	5.18%	5.18%	78.22%

**BW: You can read the rest of the detailed article by clicking on the <Read more> link below. Also, you can enlarge any chart by clicking on it.**

[Read more »](#)

<http://fat-pitch.blogspot.ca/>

**BW: Information on Mr. Urban Carmel and his blog, The Fat Pitch, follows on the ensuing page.**

# The Fat Pitch

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## WHAT IS THE FAT PITCH?

In baseball, a fat pitch is a hittable ball. The odds are in your favor. You might miss, but it is a situation where you should take a swing of the bat. If you swing at good pitches and avoid the crappy ones, you improve your OBP. Once on base, it becomes a running game.

The stock market serves a lot of curve balls. Now and then there comes a Fat Pitch, your odds-on opportunity to swing the bat. So, get on base and then manage your base-runners.

Specifically, the Fat Pitch on this site refers to two situations.

**First: A Fat Pitch comes at a market turning point.** It is an identifiable and quantifiable capitulation point where sellers or buyers have become exhausted and panic or euphoria is at an extreme. The Fat Pitch here is measured by a combination of (in no particular order): put-call, Trin, NYMO, sentiment, fund cash balances, major accumulation or distribution, volume, price relative to Bollinger bands, volatility, and consecutive days in a row in one direction. Swinging the bat without popping up is the hardest part.

**Second: The Fat Pitch is a favorable investing environment.** Old hands talk about there being only a few good times each year to be involved in the market. The remainder are unprofitable. I think this is correct. The Weekly Market Summary is intended to help discern when it is favorable to be long (or short) and when it is best to work on improving your French.

Every day, week, and year is a learning experience. The purpose of this site is to help refine what constitutes a Fat Pitch. Like baseball, you have to continue to work on your swing.

## Our Objectives

The objective of the Fat Pitch is to provide a structured, quantitative, and empirical methodology for evaluating the state of the market. At any point in time, there are a variety of factors pulling on the market. We want to determine the relative importance of each factor in order to answer two questions:

1. In which direction should we be investing in the market?
2. Are tailwinds behind this direction or are headwinds picking up?

Every Friday we publish a Weekly Market Summary with green, yellow, and red lights on it. Green is good and red is bad. Everything on this site is in support of this market summary.

The little tabs across the top of the site (trend, breadth, etc.) mirror the different factors we follow to monitor the market. There is nothing here that does not fit with the methodology.

Anytime you want to understand why a factor is red or green, click on the tab and read the accompanying analyses. To the fullest extent possible, we quantify and use empirics to determine the state of every factor.

**The Fat Pitch** is authored by Urban Carmel, see below.

# The Fat Pitch

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## Urban Carmel



Strategy Consultant and Finance Commentator

Current	The Lewis Carmel Group
Previous	UBS Securities Indonesia, East Asia Hamon Asset Management, McKinsey & Company
Education	Wharton School, University of Pennsylvania

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