

On A Dime

eResearch Corporation is pleased to provide an article from *The Reformed Broker*, featuring Josh Brown.

The Reformed Broker is a blog about financial markets and the economy.

From Josh Brown's website: My blog is about markets, politics, economics, media, culture and finance. I'll use statistics, satire, anecdotes, pop culture references, sarcasm, fact, fantasy, and any other device that I feel necessary to get my points across.

What I don't do on this site is give financial advice or tell anyone what to invest in. The Reformed Broker is a forecast-free blog. What I will do on this site is provide you with a running commentary of my market-related insights and thoughts as events unfold. I'll point you toward other interesting content around the web. I'll challenge your perceptions, call it like I see it and, occasionally, I'll make you laugh.

A link to the blog's website is provided here: <http://www.thereformedbroker.com/>.

Joshua Brown is with Ritholtz Wealth Management, a New York City-based investment advisor, whose clients are high net worth individuals, charitable foundations, retirement plans, and corporations. He helps people invest and manages portfolios for them. He is the author of the book *Backstage Wall Street*, from publisher McGraw-Hill. He is a regular contributor to: CNBC, Investment News, The Daily Beast, TheStreet.com, Forbes, CNNMoney, Fortune, Christian Science Monitor, The Faster Times, Marketplace Radio, The Wall Street Journal, and The Business Insider.

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On A Dime

By Josh Brown
January 4, 2019

The fundamentals of a company, a sector, or an entire country's economy rarely turn on a dime. They improve or deteriorate slowly, and often imperceptibly, over longer periods of time. When they turn, even the turn itself can seem interminably long.*

The prices of stocks, however, can, and do, turn on a dime. They move faster and more aggressively than anything happening with the issuer's fundamentals and yes, by extrapolation, entire sectors or country stock markets do the same.

The fact that stocks and stock markets can turn on a dime is one of the most frustrating aspects of investing. Just when most investors have told themselves the same story so convincingly and memorably, the story changes. But not everyone is ready to abandon the story they have embraced all at once.

This turning on a dime business also makes technical analysis difficult for people to accept. If everything you thought last week is now the opposite this week, why should I listen to a word of any of it? Smart technicians speak in probabilities and not certainties regarding outcomes. They also describe their opinions in terms of *if, then*:

If ___ comes to pass, then ___ should be the result. But if ___ doesn't, then ___ becomes less likely.

If that lack of conviction frustrates you, you probably are not cut out for markets, anyway.

2018's market turned on a dime. The difference between momentum in January versus momentum in December was night and day – there is no chance the underlying fundamentals of the U.S. economy changes to the degree momentum did during the course of the last year.

Here is Jon Krinsky, looking at Relative Strength (RSI), a widely used measure of momentum – it is my Chart of the Day. Readings above 70 or below 30 are considered to be above or below the thresholds of “extreme” momentum, good or bad...

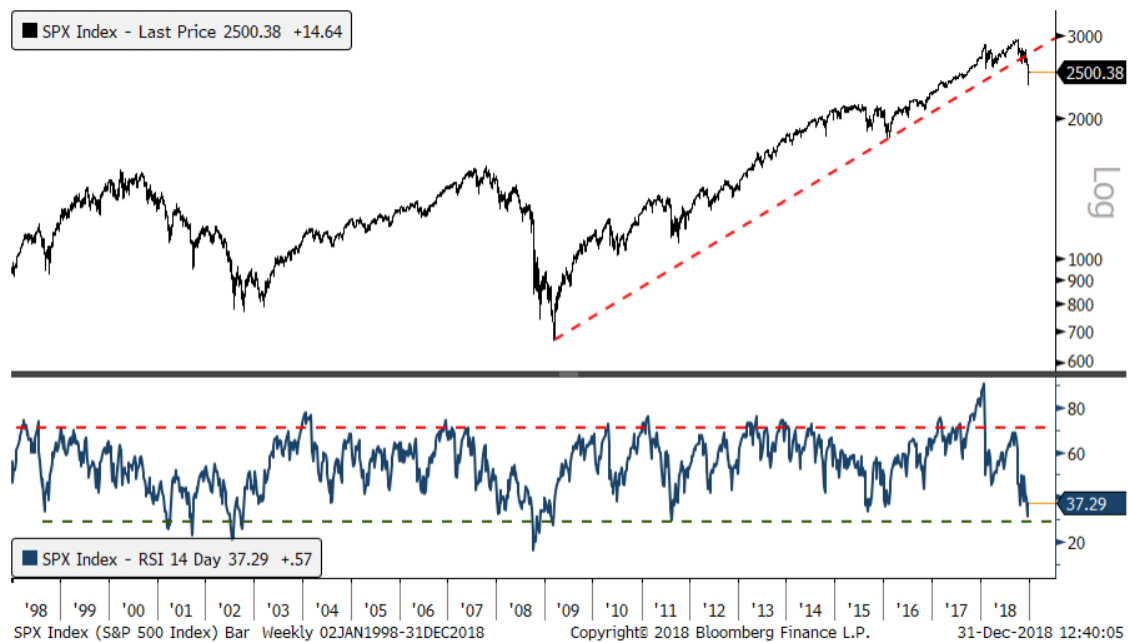
What a Difference A Year Makes

BW: The chart on the next page shows the S&P 500 Index (SPX) for the past twenty years.

In January, the SPX's weekly RSI exceeded 90, its highest on record.

In December it hit 31, the lowest since 2011.

It is easy to say that 2019 will settle somewhere in between, but a failure to hold above the 50 level on the next meaningful rally would be a negative tell for the medium-term.



To have the highest RSI on record to begin a year and then end plumbing the depths of recent history – that is quite a turn. It did not announce itself, it just happened. In January, there was not a single indicator that could have warned you. The only preparation for this sort of thing is to be armed with historical context – and the history of markets suggests that anything can happen, at any time. Hence the need to build strategies that can endure all events, even low probability ones.

Source:

Formidable Resistance

Baycrest Partners – January 1st, 2019

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* there are exceptions to this, of course. one-drug biotechs absolutely can see their fundamental outlook stop on a dime and reverse, from something like a partnership announcement, an insurance company approval, an FDA approval, etc. There are others.

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ABOUT THE AUTHOR



Josh Brown is a New York City-based financial advisor and the CEO of [Ritholtz Wealth Management](#).

We help people align their investments with their financial goals and manage portfolios for them. Our clients range from high net worth households to corporations to retirement plans to charitable foundations. For younger investors and those just getting started, we've created the [Liftoff automated advisor](#) – a simple, low-cost way to access a professionally managed portfolio selected just for you.

He is also the author of the books [Backstage Wall Street](#) and [Clash of the Financial Pundits](#) from publisher McGraw-Hill. In addition, he serves on the advisory board of financial technology firms [Riskalyze](#), Vestwell, Digital Assets Data Corp as well as [CNBC's Financial Advisor Council](#).

In 2015, he was named to the [Investment News "40 Under 40"](#) list of top financial advisors.

ABOUT THE REFORMED BROKER

The Reformed Broker began in November of 2008 and has become one of the most widely-read sites on the financial web.

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In the Media

I have been featured in or have written for Fortune, Forbes, the Wall Street Journal, MarketWatch, Dow Jones Newswires, Bloomberg, Reuters, CNNMoney, Bloomberg, CNBC, the New York Post, Crain's New York Business, Investment News, Registered Rep, Financial Planning, Fortune, RIA Biz, Business Insider, American Public Media, NPR, TheStreet.com, the Washington Post, BuzzFeed, Barron's and the New York Times.

I am an on-air contributor to CNBC. My show, [The Halftime Report](#), airs weekdays at 12 PM ET. Our YouTube Channel, [The Compound](#), is blowing up. Check us out!

Follow our latest updates with the [Market Moment skill](#) on Amazon's Alexa!

I am available to comment on most topics for print, web, television and radio. [Get in touch](#). Do you want me to speak or moderate at your next event? [More info here](#).

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