

## 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?

---

**eResearch** was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers (*subscription is free!!!*) benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: [www.eResearch.ca](http://www.eResearch.ca).

Bob Weir, CFA  
Contributing Analyst

**Note:** All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, which is distributed by eResearch Corporation, are strictly those of the Author and do not necessarily reflect those of eResearch Corporation.

# The Fat Pitch

January 12, 2019

## Weekly Market Summary

Summary: Since the 20% fall in equities into Christmas Eve, equities have rallied 3 weeks in a row, gaining over 10%. So is the correction over?

Sharp falls of at least 15% have a strong tendency to have their original low retested in the weeks/months ahead. That is true even, as now, a sharp 10% upward bounce occurs. What is notable this time is the persistence of the gains each week, and the exceptional breadth (participation) that has driven the indices higher.

This is important because, in the past 70 years, this has never taken place within the context of a bear market. In fact, breadth momentum like this is often associated with the *start* of new bull markets. Net take-away: the Christmas low may still get retested, but it seems likely to hold and new highs are probably ahead. Nothing in the stock market is ever guaranteed, but this has been the consistent, historical pattern.

\* \* \*

The bounce that started on Christmas Eve continued this past week. The SPX gained for a third week in a row, adding 2.6%. The NDX was up 3%, and small caps were up nearly 5%. Volatility fell 10% (table from [alphatrends.net](http://alphatrends.net)). *Enlarge any chart in this report simply by clicking on it.* Use <Ctrl-Click>

	JANUARY 11, 2019						
	Yest	Today	Chg	Chg%	WK %	MTD%	YTD %
SPY	258.88	258.91	0.03	0.01%	2.58%	3.60%	3.60%
QQQ	161.28	160.76	-0.52	-0.32%	2.90%	4.21%	4.21%
IWM	143.64	143.71	0.07	0.05%	4.74%	7.33%	7.33%
SMH	90.82	91.53	0.71	0.78%	5.83%	4.87%	4.87%
IBB	108.90	109.04	0.14	0.13%	6.33%	13.08%	13.08%
DIA	240.00	239.92	-0.08	-0.03%	2.41%	2.88%	2.88%
USO	11.10	10.90	-0.20	-1.80%	7.07%	12.84%	12.84%
XLF	24.44	24.49	0.05	0.20%	1.03%	2.81%	2.81%
TLT	120.46	120.92	0.46	0.38%	-0.97%	-0.49%	-0.49%
XLE	62.39	62.01	-0.38	-0.61%	3.42%	8.13%	8.13%
VXX	40.66	39.30	-1.36	-3.34%	-10.46%	-16.17%	-16.17%

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

# The Fat Pitch

---

---

## 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

---

---

## 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

---

## ***e*Research Disclosure Statement**

***e*Research Corporation** was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, its Subscribers (subscription is free!!!) benefit by having written research on a variety of small- and mid-cap, under-covered companies.

*e*Research also provides unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis.

*e*Research complements its corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals.

*e*Research provides its professional investment research and analysis directly to its extensive subscriber network of discerning investors, and electronically through its website: [www.eResearch.ca](http://www.eResearch.ca).

*e*Research does not manage money or trade with the general public, provides full disclosure of all fee arrangements, and adheres to the strict application of its Best Practices Guidelines.