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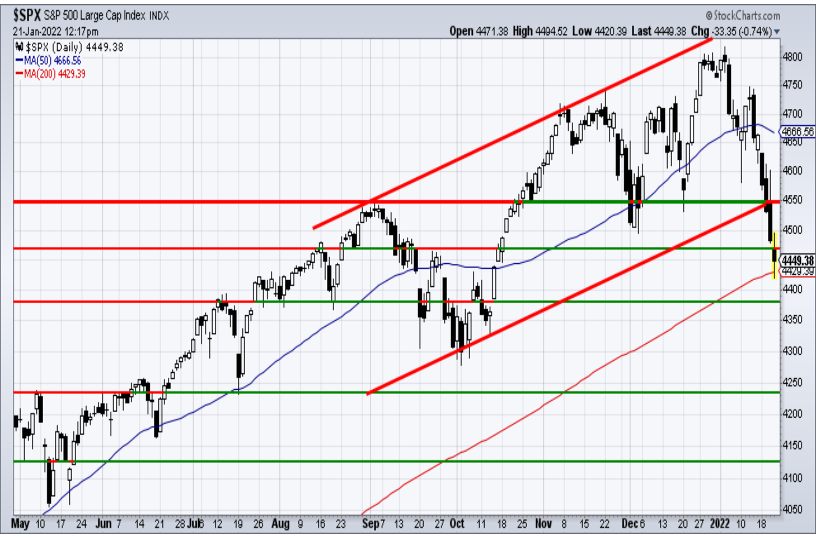
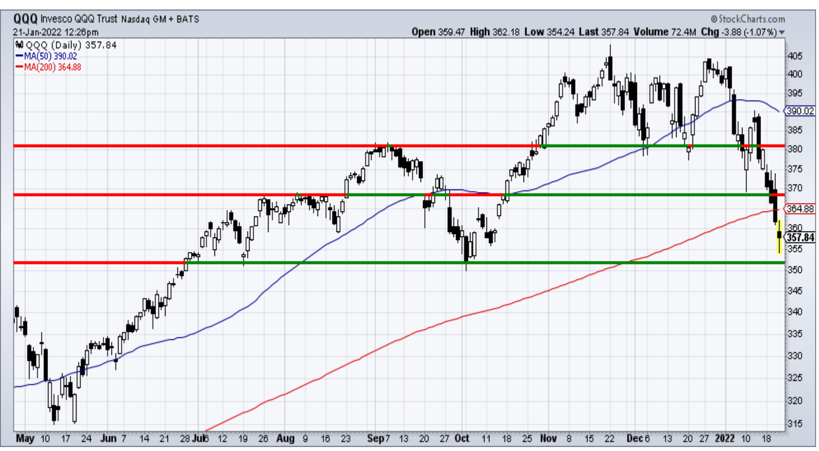
BAM MARKET NOTE

JANUARY 21, 2022



If it weren't for bad news, we'd have no news at all! This week has been dismal for all of the market indices. As we stated last week, "the price channel marked by the red lines has not been breached and does fall at very important support at the 4550 area. It is likely we reach this level over the coming days/weeks." Well, it was only days! The S&P not only broke the support we spoke of last week but broke through the next level of support and, today, is challenging the important 200-day moving average. A closing below the 200-day moving average would likely cause a number of sell programs to kick in and another whoosh down! It is highly unlikely that the selling is done. Continue to exercise caution and adjust your portfolios to your risk tolerance.



While the S&P has shown some relative strength and is testing its 200-day moving average today, the NASDAQ blew through support and the important moving average. It nearly touched the next level of support this morning before some buying took hold. There is nothing to like about this chart and lower prices look likely. The index is fast becoming oversold, so a rally next week is not out of the question. Lots of technical damage has been done. Any oversold rally will likely be just that – an oversold rally. The buy the dip crowd is not buying this dip yet and more pain is anticipated.

Our Point

Morning sunshine has consistently been met with afternoon clouds. Markets have opened up strong a number of times over the last few weeks only to be met with strong selling in the afternoon. That is not the recipe of a healthy market. We would much rather see selling at the open with market's rallying at the close. Oftentimes, it is the smart money that is trading at the end of the day. If that is the case this time, then the smart money is flashing warning signs all over the place. The Fed will be put in the crosshairs next week and we'll see just high their conviction level is. With the market weakening, pressure will be on the Fed to indicate a more dovish approach. However, with inflation continuing, there is pressure to be more hawkish. As mentioned in prior notes, it is tricky balance and a needle that the Fed will need to thread. With competing priorities, the Fed meeting will take on extra significance next week. While a rate increase is not likely this month, investors will be parsing statements to get clues on the next two meetings and any change to expectations for money tightening. Markets have turned decidedly more negative and nothing in the charts indicate that the selling is over. Indices are moving down through support with regularity. While an oversold bounce is likely next week, any bounce should be used to adjust your portfolio to your level of risk tolerance. One of my many worries include all of the new money that has come into the market over the last few years. Many of those investors have never experienced a bear market (or at least a traditional bear market that may last for several months to over a year) and when they all head for the door, the markets could experience a violent and quick fall. We shall see. In any event, this is not the time to try and guess what the market may do next. If you have thought you need to sell, then you probably should have. We have continued to pare risk from our portfolios this week. Our equity exposure is down to 10-15% and will continue to fall on further market weakness. Have a great weekend and Titan Up!