



FRIDAY APRIL 22, 2016

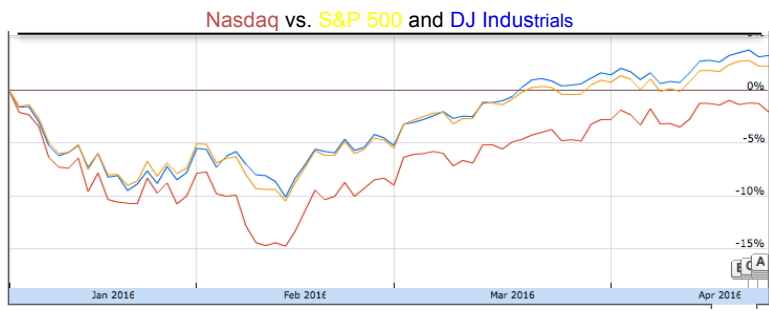
	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	18,003.75	+21.23	3.79	233	217
Nasdaq:	4,906.23	-39.66	2.02	168	129
S&P 500:	2,091.58	+0.10			
10 yr note:	1.89%	+2bps			
Volatility:	13.22	-0.73			
EUR-USD:	1.122	-0.007	Crude Oil:	43.73	+0.54
USD-JPY:	111.79	+2.37	CRB-Com:	179.65	-0.22



	WEEK:	YTD:
DOW:	+0.59%	+3.32%
NASDAQ:	-0.65%	-2.02%
S&P 500:	+0.52%	+2.33%
RUSSELL 2000:	+1.39%	+1.41%

Markets level out on lighter volume. Volatility's (-5.2%) steep drop, coupled with today's market bounce off of its 15-day moving average, foreshadows a large rally Monday. March's risk-on trade continues (inflows into oil, treasury yields, emerging market bonds, international bonds, commodity related currencies, gold & silver) along with a massive Yen weakening today ahead of next week's BOJ meeting. Oil gained for the 8th week in the past 10, vaulting 67% over that time. WTI crude (+1.3% today) gained 4.8% this week, closing at its highest level since November 10. Global markets gained this week as well, with DJ Asia (+0.49%) gaining as Japanese (+3.4%) strength outweighs China (-0.8%) weakness while DJ Europe (+1.65%) gains on Greece (+8.55%) strength.

Short covering has fueled recent buying. As a "sharp shrinkage of negative bets in the S&P 500's futures and options" coincides with the S&P 500 approaching 1% of its record high Wednesday (Barron's).



After beating major averages in 2014 (13%) and 2015 (5.7%), the Nasdaq has so far struggled this year. The sector is overvalued on a EV/E scale, priced at 11.6x enterprise value versus a 10-year average of 9.8x. Earnings disappointments from GOOG and AAPL this week highlight the technology sectors woes, leading the tech sector 2% lower today and for the week. Financials conversely gained 2% this week as sluggish earnings beat lowered expectations.

Rate hike odds have increased considerably over the week. Jumping from 0 to a 19.6% in June and 50% to 62.6% in December. Bond yield have gained in tandem, rising along with inflation expectations. The 10-year breakeven rate between TIPS and the 10-year note hit 1.65% today, up from under 1.2% in mid-February, its lowest since 2009. Investors have sold bonds accordingly, pulling funds from bond funds and ETFs for the 8th consecutive week, after pilling in for 11 consecutive weeks during the tumult at the start of the year. \$2.4 billion remains net short on 10-year treasury futures, down from \$11.7 billion in the week ending April 5. The German Bund hit a yearly low during that week (0.089%), now yielding 0.228% today (WSJ).

This upcoming week has enough going on to push markets into record territory. The Fed Wednesday and the BOJ (more stimulus) Thursday could be enough. Durable goods Wednesday, GDP Thursday and consumer sentiment will provide an indication of general economic activity

With 78.3% of the 20% of S&P 500 companies that have reported earnings so far beating estimates, Birinyi Associates suggests earnings may beat the lowered bar of -8%. Earnings so far are only -7.2% to much excitement (Barron's).

How powerful are central banks? They have created the second longest bull market in history. Thursday, "marks the day when the bull market that began in March 2009 will become the second-longest in history, at 2607 days, topped only by the technology bull run of October 1990 to March 2000." (Barron's)

Adjusted log. Updated stop loss and (maybe) profit limit. Log is starting to make sense now after merely hurting my head for about a week. I will tighten the stop loss to prevent tragedies that happen every other week and allow, in certain situations, for a new profit limit (a 10% floor will be established once 15% profit is surpassed, then the option will be sold at end of day).



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