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PEREGRINE PRIVATE CAPITAL CORPORATION

SEPTEMBER 20, 2015

# Goldilocks & The Bears

Bears hibernate in the fall and winter right? Therefore, it should be safe to go back into the woods. Wrong, at least where these 'financial woods' are concerned!

For only the third time since 1988, the big, bad cyclical bear market is coming out of its cave to wreak havoc on equity markets and stock prices. According to Michael Carr, Editor of Technical Trader, "Since 1988 there have been two cyclical declines in stock earnings, which... coincided with two cyclical bear markets. In the first earnings decline, EPS fell 32% while stock prices fell almost 50%. In the second earnings decline, EPS fell more than 60% and stocks fell more than 55%." Got your attention yet?

Despite continuing idiotic fixation on the Fed, there is a great deal of negative economic and trade data coming in that should make investors realize there are much more important market drivers afoot now than Fed policy.

Like it or not, corporate earnings are falling and this means we are at the beginning of a bear market. Sure, central bankers will continue trying to patch things up with a band-aid here and there. However, the fundamental disconnect between Fed driven stock market prices and the real economy is finally sinking in. Therefore, the Fed's supporting action is steadily losing traction. Janet Yellen is losing her grip. Don't lose yours.

As we have been saying since the beginning of the year, we are on the brink of a global economic downturn. This time it will be led by a slowdown in China. However, it will have global repercussions for equity values.

The Goldilocks economy is over and the bears are afoot. Best to seek out those non-correlating assets sooner rather than later.



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