

Below is a snapshot of last week's market performance and what to watch in the week ahead from Chadd Mason, Cabana CEO and co-founder.

Over the past week, equity markets have continued to bounce from extremely over-sold conditions. This was expected, and those assets that were hit the hardest the past few months have outperformed. These include energy, emerging markets and commodities. The broader markets (like the Dow and S&P 500) have also participated. It is important to remember that markets do not go straight up or straight down. The market volatility (or selloff) that we saw during the fourth quarter was remarkable. Some buying from those lows is a normal part of the process, resulting from reallocation and repricing of assets. The S&P 500 has now bounced from its December 24 low of approximately \$233 to approximately \$260. This constitutes a retracement to an area of broken support, which now serves as resistance. The area between \$260 and \$280 contains significant overhead resistance and is a likely spot for the rally to end. I commented on this phenomena last week and it is worth looking at again if you are interested in the technical behavior of markets. Additionally, volume has dropped as equity indexes have risen. This is a negative divergence and consistent with bearish conditions, rather than bullish confidence. Bond yields remain under pressure and muted despite the buying of stocks. This is also indicative of weaker growth moving forward.

I would like to add one last and important remark. Last week I was contacted by a reader who was genuinely upset and scared after I outlined what I believed to be the beginnings of a weak stock market and perhaps a bear market going forward. I would like to take this opportunity to clarify. I am not psychic and do not claim to have all, or even any, answers. I simply comment on what I see in front of me today. Things can change, and they often do, in the investment world. That is why having discipline and a system is imperative.

Last week's market commentary is available [here](#).



G. Chadd Mason
CEO, Cabana Holdings

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