

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.

Last week equity markets continued their seven week slide. Thanksgiving did not bring any holiday relief and the October lows are being tested again. All major indices are well below their technically important 200-day moving average. Foreign stocks are in even worse shape. All major markets are down between 2% and 20% for the year. Bond yields have pulled back, but not to the extent that would be expected given the pain we've seen in risk assets. Clearly, the bond market is not forecasting a deflationary recession on the horizon. That doesn't mean we can't have a recession caused by inflation and the resulting rising interest rates. In fact, that is typically the way it shakes out. Rising rates, in response to inflation, ultimately stifle growth and companies' earnings suffer. Investors foresee this and move money from stocks to bonds to capture interest payments at the higher rates. Right now we are not seeing inflation, yet markets continue to price in higher rates. Investors are selling stocks but they are not buying bonds, as evidenced by yields remaining firm. Most people are of the opinion that the best of this old bull market is behind us, yet our Federal Reserve remains committed to raising rates. This circumstance has prevented a large scale rally in bonds, as a precursor to a bear market. We also would expect to see commodity prices surging prior to the end of a bull market and the beginning of a bear market. This has not yet occurred. If we are entering a bear market it is not coming in the usual way. Stocks are extremely oversold and the October lows should provide some support for a rally to begin. We have seen that today. For the technical damage done over the past weeks to be repaired, the rally is going to have to go a long way. Santa has his work cut out for him this year.

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



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