MADISON PARK
CAPITAL ADVISORS

Weekly Market Update

March 26, 2018

Much Ado About Nothing?

It has now been two months since equity markets peaked on January 26th. The question on the mind of every investor is whether this is a correction within an ongoing bull market (good) or the start of a bear market (bad). Clearly, heading into this week, a failure to rally soon would be seen as an ominous sign by market traders.

The iShares Core S&P 500 ETF (symbol IVV) is the second largest exchange traded fund in the US. Sporting a low expense ratio, it is a very popular investment vehicle for strategic, or passive, long-term investors. **These long-term investors who had poured money into IVV for the first seven weeks of the correction appear to have finally capitulated last week.** The fund saw $11 billion in outflows during the week, which equates to an astounding 8% of its market cap. Time will tell, but this resembles the type of panic often seen from retail investors near important turning points.

During a bottoming process, market observers look for a number of short-term upside buying volume signals that give indications corresponding to similar episodes in the past that a bottom is in place. Even with a strong performance today, we are not yet at the place where we can definitively say that the worst is probably over. **What we can say is that none of these volume signals made new lows on Friday, which in and of itself is an encouraging development.**

Another positive development is the divergence between negative short-term trading sentiment at the February 9th market bottom (more extreme) compared to Friday's low (less extreme). **Bullish divergences are often a sign that the bears are losing momentum.** With the market off to a great start today, we will be monitoring our technical indicators to help determine the answer to the correction/bear market question posed above. Count us vigilant, but cautiously optimistic. The weight of the evidence will determine our next moves.

Lastly, we'll switch topics and note the Save the Date you've been seeing for the past few weeks. Later this week, we'll get the invites in the mail and in your inboxes, as we sincerely hope you'll join us at our seminar on **Understanding Tax Reform**. As you finish your taxes for this year, know that things will look significantly different next

time around – and we hope this seminar will help you identify areas where you can optimize your financial picture in light of the recent reforms. We'll be presenting together with Jim Ramborger and his colleagues from Hagen, Kurth, Perman CPAs – and we'll be doing it with great food and wine at **EFESTE out in Woodinville**. We'll have one hour dedicated to individuals and families, followed by a second hour that looks specifically at reforms as they impact small businesses. You and your friends are welcome for either or both segments.

Information from Ned Davis Research was used in generating this report.

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