Did You See ***the*** News?

The big bounce I expected in the market arrived last week. Last week, for paid subscribers, I noted in the large-cap model:

However, there are two trades this week. Note that the model traded out of "safe" stocks and intro two "risky" stocks. This is particularly telling. The model adjusts based on market conditions week by week. While the model can be wrong (often and a lot), the switch suggests that "risky" assets have better odds of outperforming. This is another glimmer of hope of a tradeable rally or the ultimate bottom.

Large-cap risky assets have had a massive run in just a handful of market days.

A good proxy for large-cap technology leaders is the **ARK Innovation ETF (ARCX: ARKK)** which surged 18.3% over the past week.

I am not recommending owning ARKK.

I do not own ARKK.

I will never own ARKK.

However, I do watch the performance of the fund. The manager, Cathie Wood, gets lots of press. The fund manages billions of dollars. The fund is an excellent proxy for what has captured the imagination of the typical individual investor (sexy growth stocks).

Billions of dollars flew into the fund after a fantastic run of performance. Many investors then were demolished once the fund became too big and performance sagged (this happens repeatedly, and I highlight why in my book).

ARKK is an excellent psychological market tool. It's a great fund to monitor.

The types of stocks in ARKK's portfolio were ripe to benefit from the oversold rally, and they did. Big time.

The most interesting news in the market was not the oversold bounce but rather the notion that Saudi Arabia may begin accepting Chinese currency for oil sales.

The story did not get much play in the mainstream media.

If the Saudis accept other currencies for oil, it is a big deal. The issue of moving away from the U.S. Dollar has been addressed before. While nothing ever happened, the threat has been there for years.

It could cause a domino effect that wreaks havoc on global markets when it happens.

Last Summer, I warned that *everything* in the U.S. hinges on the Dollar keeping its status as the world's reserve currency. At the time, several domestic spending programs were making the rounds in Washington, DC.

It's great to throw out grandiose ideas for multi-trillion-dollar entitlement programs. But they can only be financed with massive debt because the U.S. prints the world's reserve currency.

Bernie Sanders and AOC don't understand this, while folks like Joe Manchin do. That's why Build Back Better (BBB) was always doomed. Joe Manchin's vote is the deciding vote, and he was never going to vote for BBB. His position was laid out months before he went on TV in December to nix the idea. The media and politicians chose to ignore what he had already put in writing months before for some strange reason. The result was evident to anyone paying attention.

Whether you agree with Manchin or not, much of his reasoning for opposing massive additional debt-financed spending is the Dollar's importance as the reserve currency.

The Dollar has been a predictable safe-haven in every crisis for as long as possible.

Well, we are in the middle of a crisis. We are living through the largest invasion of a European country in many decades.

China has its eye on Taiwan.

Iran is flexing its muscles.

The performance of the U.S. Dollar has been ***much*** weaker than what I would expect under the circumstances. While the Dollar has gained value, it's a fraction of the performance one might expect as a safe-haven investment.

The U.S. Dollar has gained just 1.1% since the invasion of Ukraine (I'm using the Invesco DB U.S. Dollar Index, which trades under the ticker UUP). ***<u>That's terrible</u>***. Huge red flag alert!!!!!!!!!

Since last summer, there has been no question that the U.S. is in a weakened position globally. The leaders of both Saudi Arabia and UAE recently refused to take phone calls from the President of the United States.

That's not confidence-inspiring.

Of course, blowing off the President could be a political chess move. While the Chinese Yuan surged on the Saudi news, it could be short-lived.

I would not buy Chinese Yuan with counterfeit U.S. Dollars.

China is way over-rated, in my opinion. There are plenty of internal issues in China that do not get much press.

China is full of smoke and mirrors.

What's more, China is world-class at stealing intellectual property and relatively weak at developing its own.

The Dollar is exposed but not doomed.

Yet.

No one knows if the Dollar is on the way out as the reserve currency. However, we can be on the right side of the trade by following trends as they develop.

Fortunately, other safe-haven assets such as gold and silver performed as expected. Bitcoin performed terribly in the chaos and rebounded along with technology stocks.

As I have said many times, Bitcoin is a levered commodity-style bet on technology stocks. There is nothing wrong with that, but it is not a safe haven.

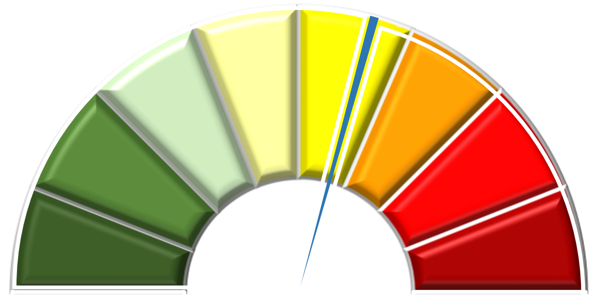
In the end, gold was gold.

Gold may continue to be gold. One reason why this may be the case is that the situation in Ukraine has shown that a country (Russia) can have sanctions placed on it, its currency destroyed, sympathetic parties outside of the country have seen their assets frozen, and the global financial system has been turned upside down.

Ultimately, this might lead to greater nationalism and isolation around the world. That likely means some whacky leaders emerging in future elections.

The *Risk-O-Meter* is not on a “buy” signal yet and working off its “danger zone” condition. Ideally, the buy signal will come when the market is once again oversold.

The easy money on the bounce has been made. Things get much more challenging from here. The market is no longer oversold, and the risk/reward levels are much less favorable at current levels.



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