

Med Jones 2016-2017 Successful Forecasts

- In 2016 MarketWatch article and an Updated 2017 LinkedIn Article. The following key forecasting statements were made:
- ...It is not safe to jump all-in. At the International Institute of Management, our stock-market predictive model flashed a red alert in the second quarter of 2015, indicating a double-digit decline.
- There will be market correction either in 2016 or 2017
- This year investors have worried about China, oil prices, terrorism, Brexit, and the outcome of the U.S. presidential election, and rightfully so, but few are paying enough attention to currency and derivative risks.
- Yet if the Fed raises rates while other central banks keep lower or negative interest rates, this will increase the risk of capital outflow from those countries to the U.S., causing a major decline in those countries' stock markets. Currency traders in turn will short those currencies, and hedge funds will short those stock markets. This is what happened in 1997 with the Asian financial crisis and could happen again. High-risk countries are the ones burdened with excessive debt, high net-external debt, and lower interest rates compared to other countries.
- The U.S. dollar is strong and the U.S. economy is growing. But in a global economy, no country — even the U.S. — is immune from its trading partners. In a trade war, it will not take long before the U.S. financial markets are negatively impacted. The majority of the S&P 500 companies generate substantial export revenues; accordingly, U.S. stocks and the economy cannot escape a hit for long.
- If conditions remain the same, annualized stock returns for most investors will be in single-digits at best, and more likely in negative double-digits. Investors would be wise to take measures now to preserve capital rather than invest aggressively at every market dip.
- On the positive side: The increase in interest rate and the decrease in taxes can attract debt and equity investments from foreign investors to the US market and push the stock market up, this in turn will help remaining investors on the sidelines to enter the market and increase the stock market valuations.
- On the negative side: The risks are managed, but not eliminated. Financial, political, and other risks remain the same and in some cases have increased. The market and the economic recovery can be derailed with aggressive foreign, trade and currency policies. Indicators do not reflect fundamental improvements over 2015, yet we see an increase in overall stock market valuations. A substantial amount of the largest companies are using the money pumped by the Fed to the banking sector to take loans to buy back their own shares and mathematically engineer higher earnings to push their valuations up. At some point in the next few years, if their sales and profits do not grow enough, the rising interest rate will hit them hard and this could result in a painful stock market correction.
- Sources: <https://www.linkedin.com/pulse/next-financial-crisis-debt-currency-derivatives-risks-med-jones/>
- <https://www.marketwatch.com/story/why-this-market-rally-looks-like-a-classic-investor-trap-2016-04-14>

What happened since the forecast of 2016-2017?

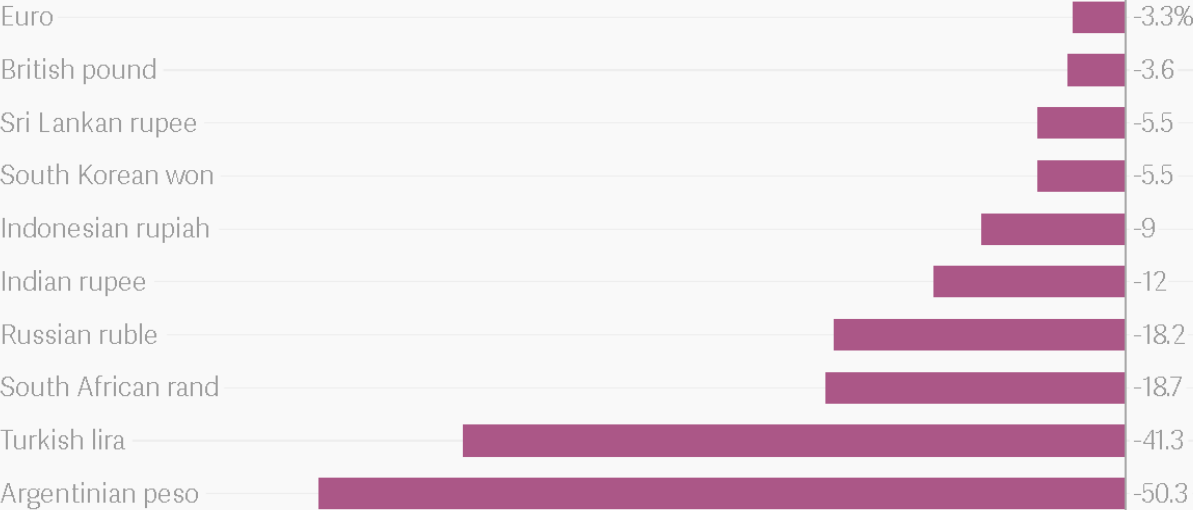
- Timing was off by 1 month. In Jan 2018 S&P corrected by 10% (double digits) from 2,873 to 2,588, then investors pumped money into the market and the market corrected again and again in Nov 23 erasing all the gains made for the year.
- In Feb 2018 1 trillion wiped of the stock market. Markets close 2/23/18 % high to low Dow -12.2% S&P500 -11.8% Nasdaq -11.7%
- <https://www.bloomberg.com/news/articles/2018-02-05/more-than-1-trillion-wiped-from-u-s-equities-in-market-rout>
- Dow plunges 10% into correction
- <http://fox2now.com/2018/02/08/dow-plunges-1000-as-stock-market-swoons-again/>
- Emerging-Market Central Banks Are Losing Battle Against Traders: (As exactly warned in 2016. in the article above). Indonesia, Philippines, India, Malaysia, Mexico, Brazil, Turkey, Argentina, and China all hit hard by traders.
- <https://www.bloomberg.com/news/articles/2018-06-28/emerging-market-central-banks-are-losing-battle-against-traders>
- Fed Governor Lael Brainard became the latest central bank official to express caution about valuations in the 9-year-old bull market. Shy says: Fed's Brainard warns about high asset prices even after the stock correction
<https://www.cnbc.com/2018/04/03/feds-brainard-warns-about-high-asset-prices-even-after-the-stock-correction.html>
- Turkey Lira Dropped to record Low. Russia Ruble decline 8%. Most African sovereigns are only a small economic shock away from debt problems, which are concentrated in Nigeria, Angola, Mozambique, Ghana and Zambia,
- <https://www.gfmag.com/magazine/may-2018/emerging-markets-currency-crises>
- Bloomberg: China Stocks down 19% since Jan 2018 Teetering on Edge of Bear Market.
<https://www.bloomberg.com/news/articles/2018-06-25/china-stocks-teeter-on-edge-of-bear-market>

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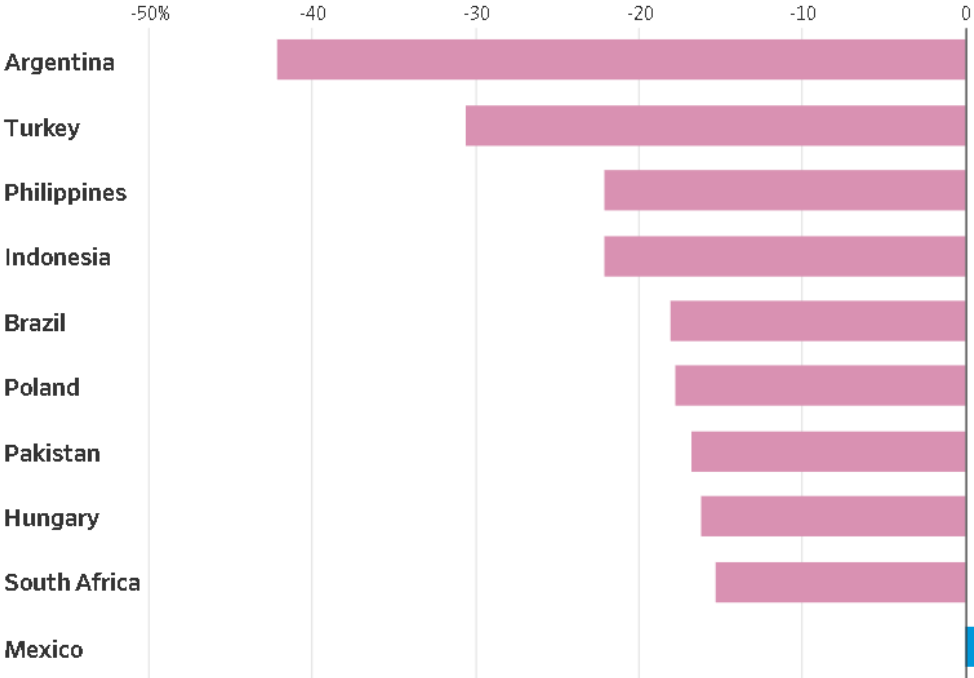
- Bloomberg News: The Indian rupee slumped to an all-time low against the dollar.
<https://www.bloomberg.com/news/articles/2018-06-28/rupee-drops-to-record-low-as-crude-oil-s-advances-take-toll>
- A popular banking sector exchange-traded fund extending its longest ever losing streak and underscoring the headwinds facing lenders
- <https://www.marketwatch.com/story/why-one-proxy-for-the-health-of-the-us-economy-just-logged-its-worst-losing-streak-ever-2018-06-27>
- Turkey funding gap now is similar to that seen before the “Asian currency crisis” in the late 1990s.
<https://www.bloomberg.com/news/articles/2018-08-10/turkey-crisis-in-charts-worse-than-lehman-similar-to-1998>
- CNBC reported that "Latin America's third-largest economy could soon default as it struggles to repay heavy government borrowing. The peso is down more than 45 percent against the greenback this year, exacerbating pre-existing fears over the country's weakening economy and inflation running at 25.4 percent this year."
<https://www.cnbc.com/2018/08/30/argentina-crisis-peso-crashes-to-record-low-amid-imf-plea.html>
- China's currency suffered its largest ever monthly fall against the US dollar in June <https://www.ft.com/content/fdfb9dec-7ce2-11e8-bc55-50daf11b720d>
- US China Trade War Official Starts <http://www.foxnews.com/world/2018/07/06/us-china-trade-war-official-starts-as-tariffs-imposed-on-34b-in-chinese-goods.html>

Currencies and equity market decline 2018

Year-to-date performance vs. the US dollar



Emerging-markets equities performance, year to date



Note: Data through July 6
Source: FactSet

Emerging Markets loss of more than 20% for 2018 YTD

iShares MSCI Emerging Markets ETF (EEM) [Add to watchlist](#)

NYSEArca - Nasdaq Real Time Price. Currency in USD

41.02 -0.89 (-2.12%)

At close: December 4 4:00PM EST



Yahoo
chart

S&P 500 erased almost all the gain in 2018.
In Q4 alone, S&P is down from 2930 to 2630.
Investors would have gotten better returns and lower risk if invested in other assets.



Google Graph

The top 4 of the largest daily point losses in history of Dow Jones were in 2018. The 5th was in 2008. The US market volatility and the emerging countries currency and equity markets havoc in 2018 should serve as a warning sign for investors

Largest daily point losses^[3]

Rank ↕	Date ↕	Close ↕	Net change ↕
1	2018-02-05	24,345.75	-1,175.21
2	2018-02-08	23,860.46	-1,032.89
3	2018-10-10	25,598.74	-831.83
4	2018-12-04	25,027.07	-799.36
5	2008-09-29	10,365.45	-777.68
6	2008-10-15	8,577.91	-733.08
7	2018-03-22	23,957.89	-724.42
8	2001-09-17	8,920.70	-684.81
9	2008-12-01	8,149.09	-679.95
10	2008-10-09	8,579.19	-678.92
11	2018-02-02	25,520.96	-665.75
12	2011-08-08	10,809.85	-634.76
13	2000-04-14	10,305.78	-617.78
14	2016-06-24	17,400.75	-610.32
15	2018-10-24	24,583.42	-608.01
16	2018-11-12	25,387.18	-602.12
17	2015-08-24	15,871.35	-588.40
18	2018-04-06	23,932.76	-572.46
19	1997-10-27	7,161.14	-554.26
20	2018-11-20	24,465.64	-551.80

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