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1100 point decline to end the week certainly makes people pay attention. It still feels like yesterday (or late January) when all the talk was about a year long stock market melt up.Tax reform, 700+ regulations killed, GDP accelerating. All paths led higher. Almost every day, Donald Trump celebrated fresh all-time highs and used the stock market as his report card. Oh, the good ole days!

As I wrote about last week, I don't believe it's about Facebook or Trump's revolving door White House or Stormy Whoever. Given that we saw red almost across the entire board, this was a liquidation of assets leaving equities. While Treasury bonds fared fine, it wasn't the old fashioned flight to quality everyone has become used to seeing over the past 35 years. Crude oil rallied. Gold did too. Agriculture commodities look to be primed to be move higher. In my 2018 Fearless Forecast, I wrote about the very long-term view of commodities and I think they could have a decade-long runway ahead.

Anyway, the Dow was under significant pressure last week and is only a one day decline from my original downside target of 23,000. Interestingly, in a somewhat more complex path than I originally laid out, stocks are back to behaving most like scenario #1 again as shown below. We had the mini-crash followed by the snapback rally that went further than I thought and now a longer than usual revisiting of the mini-crash lows. The final step in the bottoming process is here, assuming my bullish outlook is the correct one, and it could take a few days or longer to solidify.

As such, the major stock market indices are supposed to hammer out a bottom this holiday-shortened week. And it's really supposed to be on Tuesday or Wednesday if you want to get greedy. It's as simple as that. With one more SWOOSH lower all of the requisite items would be in place for the low that leads to all-time highs again. And it looks like the Dow and S&P 500 are the most likely candidates to see the final selloff below the February lows while the S&P 400 and Russell 2000 should remain comfortably above those levels. The jury is still out on the NASDAQ 100.

Now, if it were only all that easy!

What is "supposed" to happen and what actually happens sometimes diverge. And comes some counter intuitive analysis. After two bloody days last Thursday and Friday, the best path if you are a bull is for a large down opening on Monday that makes headlines and creates fear. If stocks don't find buyers after lunch, then a down 1000 would be in the cards. If stocks found buyers after lunch, then a bottom could be cemented by the close. If not, Tuesday would shape up to be the pivotal day.

If stocks up sharply higher, that just prolongs the bottoming process. While it may feel good to see a bounce that would push out the ultimate low until the rally fizzled out and a breach of Friday's lowest level was seen. In this case, there could be a failing multi-day snapback where all of the talk in the financial media centered around the successful retest of the February lows.

With overnight action in the green so far, it preliminarily appears as though the latter scenario could be unfolding. That's the more difficult of the two.

Over the past week, I have received an unusually high number of emails regarding my bullish and still positive outlook for stocks over the coming quarter or so. Almost all have been on the negative or opposite side of my view. First, please keep the email and tweets coming! Everyone wins when there is debate. I certainly don't hold the patent on offering market forecasts and I am always one to listen to other views. My good friends in the industry will attest that when I offer my forecasts to them, I usually ask them how I am going to be wrong. What am I missing.

The other night my son and I had dinner with some ski friends in Vermont who are also industry peers. As usual, my friend Rich and I spent a good deal of time discussing Trump, the economy and of course, the stock market. Sometimes we are in full agreement while other times we are on opposite sides. Never a voice raised or name called unless it's from our wives. The thing about Rich and me is that it's not important who ends up being right or wrong. If either one of us can help the other to consider a different scenario or uncover new information we both win. And we both agree that we would happily be wrong forever in our opinions as long as we make money in the markets.

That's the glaring difference between people who offer market commentary without any consequences and those of us who manage money with the proof being our daily, weekly, monthly, quarterly and annual performance. Commentators, strategists and analysts can dig their heels in and call for a massive decline year after year after year. Eventually, they will be proven correct. If you ran a portfolio like that, the likely scenario would be losing most of your clients' money and/or being terminated.

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