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As you know from my emails, quarterly report and most blogs on www.InvestForTomorrowBlog.com, I have been forecasting a stock market pullback for the past few weeks. Even when the Dow Jones Industrials finally achieved my late Q1 forecast of new all-time highs across the board on September 21, I was very concerned about a crumbling market foundation that would lead to a mid to upper single digit decline in October.

I couldn't have been any clearer when I discussed my forecast on CNBC's Squawk Box on September 25th.

https://www.cnbc.com/video/2018/09/25/dow-fell-for-the-first-time-in-five-days-monday.html

I repeated it on Yahoo Finance's Midday Movers later that day.

https://sports.yahoo.com/dow-marches-why-energy-biotech-172228625.html

Speaking of Yahoo Finance, I am scheduled to join the Midday Movers team on Thursday between 11:30am and 11:45am. Just go to finance.yahoo.com.

The reasons for the impending weakness were numerous and they are proving to be very well founded. Participation in the rally waned. The market became split with an almost equal number of stocks making new highs as new lows with the major stock market indices hovering near all-time highs. In other words, there were an equal number of troops dying as there were troops forging ahead.

Wednesday was one ugly day folks. It was the day of recognition for many investors that something had changed in the character of the stock market. I know. I know. Interest rates had been spiking and you heard the media and pundits say that people were selling stocks and buying bonds. That sounds all well and good except for the fact that unlike what we are used to seeing, bonds did not rally on Wednesday when stocks collapsed.

And for those who are going to email me and pontificate the benefits of gold during times like these, well, gold barely moved and remains mired in a multi-year bear market. And no, there wasn't a flight to the U.S. dollar either.

Volatility is spiking. When this happens, it is unusual for it to quiet down right away. And days like Wednesday rarely mark the final price low. The bears are making good progress, but they don't appear to be done just yet.

In our portfolios, I am very thankful that we took dramatic action almost across the board to sell equities, raise large amounts of cash and/or hedge our exposure, long before the carnage began. With so much dry powder, I will soon be frothing at the mouth to execute my shopping list for a year-end rally. This is when my job is fun.

I chuckle when I see those in the media prognosticate from here when they got this decline entirely wrong to begin with. The act as if they saw this coming and took appropriate action.

Shortly, I expect the usual number of emails and calls from those who have been fully invested or worse, wanting to know what to do now. My answer has been the same for my entire career, whether I have been right or wrong about the market's move. If you weren't smart enough or lucky to get yourself protected before this decline began, I wouldn't compound a problem with a problem.

When declines like Wednesday occur and I send impromptu updates, stocks usually bounce much sooner than later unless a crash sequence is underway. The market doesn't have that feel right now, but it's not something I would totally rule out.

For the foreseeable future, we should see huge swings down and up as stocks ultimately find a low, especially on Thursday. The rest of the week and first few days next week are going to be very important. I will keep you updated on www.investfortomorrowblog.com as much as I can.

Finally, to close with the silver lining, I still believe the bull market is alive and Dow 27,000 and higher remain in the cards.

As always, if you would like to discuss your portfolio or strategies, please reply to this email, call the office directly or use my online calendar.
https://heritagecapitalllc.acuityscheduling.com/schedule.php

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