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First, I want to thank CNBC's Closing Bell for having me on last week to offer a few outside the box, contrarian stocks picks for today's environment. Here is the link.

https://www.cnbc.com/video/2018/10/18/expert-gold-is-the-most-unloved-sector-today-but-its-smart-money.html

Well folks, it's been quite a week so far. After stocks tried to hammer in a low on October 11th there was a rally as I expected. In fact, that October day was the first day our shorter-term investment models started turning positive with the Dow at 25,000 after having been negative since the all-time high peak on October 3rd. As I wrote at that time, I didn't think 25,000 was going to be the ultimate bottom, but the majority of the price damage was done. Lower prices should be ahead but it looks like the ultimate bottom will be coming over the next few weeks.

Moreover, my biggest concern would have been that stocks headed straight back to new highs from 25,000 and that would likely have spelled the end of the bull market. That's still a possibility from Wednesday's low, but I don't believe that's a likely one. Additionally, there were two scenarios I was looking at that from 25,000 that called for rallies and then more downside. Both are open today, but I favor the more bullish one.

Speaking of today, it was vitally important for stocks to rally, something I very rarely say. I use the word "vitally" because mini crash scenarios unfold from oversold conditions like we saw on Wednesday. If the bulls didn't make a stand today, I would be very worried that a snowball was already in place to the bottom, meaning more weakness on Thursday and Friday with a climax early next week. Thankfully, I don't think that's now a valid scenario.

By the way, before I offer some charts, some people ask why I sometimes use the Dow versus the S&P 500 and vice versa. It really doesn't matter. They are so closely correlated, meaning they basically mirror each other's moves. The general public prefers the Dow while others use the S&P 500. Truth be told, the Wilshire 5000, Russell 3000 or Value Line are probably the most representative.

Below is a chart of the Dow Industrials this year so you can see both the Q1 and Q3 declines. On the far right side of the chart, you can see the arrows I drew in to offer my most preferred scenario. In words, I think the rally that began today will continue into next week before rolling over again to the downside where new lows will be made. That means I do not believe the ultimate bottom or lowest levels have been seen yet. However, assuming the next decline is the last, our upside projections to Dow 27,000 remains in place for sometime in December or January.

During this entire 10 year bull market, every single time there has been a bout of weakness, the bears, gloom and doomers and those praying for armageddon come out of the woodwork to espouse their negativity. I have heard it all. First it was that all the banks were insolvent and they would steal our money. Then it was that all the money printing would create massive inflation and the U.S. dollar would be worth nothing. Then it was that the U.S. would default on her debt. And an Ebola epidemic. And who could forget that Trump winning would kill the markets and economy. Let's not forget the countless times Chicken Little cried that recession was coming. Or that China was collapsing or taking over the world. I can't keep that one straight. And now we have tariffs and rising interest rates and yet another economic slowdown.

The thing is, they are all valid reasons that make sense. They have just been embarrassingly wrong. Being years early is still being wrong. Sorry. One day, that permanently negative crowd will have their day in the sun again. And I fully expect them to beat their chests and claim how right they were all along. You will find them throughout the media taking their hollow victory laps.

The bout of weakness we are seeing now looks nothing more than your typical late stage bull market pullback. It is doing significant damage that perhaps won't be recovered from, but I do not think the bull market is over just yet. I called for mid to upper single digits last month and stocks are right up against the top of that range although I think it will end up being 10%+ when all is said and done. Magnitude has always been more difficult for me than direction.

Finally, I received more than a few emails lately about the markets. The common question I got was what should investors do now if they never sold. Sorry, but I gave so many warnings of what I thought was coming, you're on your own. I wrote that I was taking serious action in client portfolios. If that's not leading the horse to water, I don't know what is. Your greed got in the way.

My allegiance has been, is and always will be to clients first and foremost. That's why they pay me for my services. I give an awful lot of information for free, like selling Facebook, Netflix and Tesla. Buying Ford, Gap Stores, Newmont and long dated treasuries. I am not about to offer more.

Tomorrow, I am hoping to post some free indicators you can find online to help guide you to the bottom I see coming.

As I finished this update, Amazon appears to have an earnings problem and the NASDAQ is collapsing after hours. Friday is going to be fun!

Don't forget to check our blog for more info www.InvestForTomorrowBlog.com

Posts are typically made three times per week and you can sign up here to be notified by email when a new one is up.

http://www.investfortomorrow.com/BlogAlerts.asp

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