



## CAPITAL MANAGEMENT

### Current Market Thoughts and Insight

Title: Has The Recent Rally Ended?

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In the attempt to determine whether a "rally" has run its course, many market strategists will examine volume.

Market volume can be critical as to ascertaining whether a trend is broad in its advance or not. Many times an increase in equity markets with low volume is not a good thing. In fact, it usually shows a lack of investor conviction. Markets moving higher on "stronger volume" is normally the preferred scenario. However, current evidence in today's market shows otherwise.

With that said, you will find that recent trading sessions and corresponding rallies have been lacking in volume – which for the "green shoots" (those that believe the market will return to the goldilocks days sometime this year) is not a good thing.

Let's look at a recent chart of the S&P share volume with respect to the market rally to formulate such an opinion:



You will notice that that trendline in the "volume bars" at the bottom portion of the above graph is decreasing at a rapid clip. This is definitely not "bullish." Further, this has become an emerging trend in the most recent trading sessions as we have encountered "higher moves on lower volume."



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Unfortunately (for the greenshoots), the lack of volume is a critical situation. Currently (at 2:30AM CST), index futures are pointing towards a lower opening for the both the S&P and the Dow Jones.

In summary, investors should take caution in putting additional funds to work in this "overbought" environment. While we may see a few more upside momentum-based rallies, I believe those sitting in above average cash positions or defensive names will be rewarded with an upcoming correction that will allow them to re-load on the long side at much cheaper prices.

As always, I examine conditions from a macro standpoint and not from the superlative bullet points pushed by CNBC "talking heads." This kind of environment requires us, an investors, to think "outside the box" with, both, facts and rational logic. You can trust that I will press to do so.

If you have any questions or thoughts about this report, please feel free to contact me directly at [agustin@agcapitalmgt.com](mailto:agustin@agcapitalmgt.com).

Respectfully,

//signed//

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