>: Bears Gone Wild!

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Editor's Note: Our weekly telephone call to answer your questions has been posted. Listen now to hear Teeka answer more reader questions, including ...

- What's really going on when we see huge intraday swings in the market?
- With 75% of Americans saying they feel we're in a recession, what does Teeka think?
- How can you tell whether a beaten down stock is a bargain or a "falling dagger?"

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The US markets have been unceasingly pounded under the guns of $140 oil.

I think every bull on Wall Street has been hung by their horns, and the bears are giggling like giddy school girls.

On a white horse with glistening silver armor, the US Dollar charges in to save the day... maybe.
A careful review of the US Dollar index will show that the dollar has actually been in a minor uptrend since March. It appears that all of a sudden this stealth dollar rally has caught the street unaware.

We?re seeing crude oil finally take a breather on this news, and some bad breaks are appearing all over the commodity landscape. The question is will this provide some measure of relief for stocks?
The next couple of weeks will be very telling as we enter the Q2 earnings season. No one is looking for robust earnings, so the traders are all asking themselves if the market has discounted the bad news enough.

$140 oil is going to ravage corporate earnings, make no mistake. How much can the corps make up through job cuts, cutting back on R&D spending and trimming back marketing budgets? I can assure you that they have been slashing and burning in an effort to shore up their quarterly numbers.

The technical damage done to the charts of the DOW and the S&P 500 are extensive. They indicate another 5%-10% lower if we don?t see some kind of good news to pull us out of this nose dive. However, keep in mind that should we see some upside earnings surprises in Q2 earnings the bears will be hammering the market on any sign of strength.

They?ve got momentum, as well as fundamental conditions, on their side. The fact is that outside of a very select few operators, most major enterprises cannot maintain their profit growth during a commodity bull cycle. The fact that commodities are currently selling off may bode well for Q3. But it?s the equivalent of learning that instead of losing two arms and two legs, you?re only losing one arm and one leg. The end result still stinks.

Make no mistake: we are in a bear market, and the short and intermediate will trend will not change without some seriously positive events taking place. Such events might include a complete backing off by Iran, peace in Iraq, sustained under performance by the commodity sector or reduction in deficit spending, just to name a few.

The above criteria certainly appear to be low probability events, and I?ve rarely made money game playing for low probability events. Remember that the decision to stay in cash is an investment decision. At some point the smoke will clear and we will have a very tradable short term rally - but make sure you take those profits quickly because a big ugly bear will be waiting in the wings swat this market do

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