



The King Report

M. Ramsey King Securities, Inc.

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“Independent View of the News”

US stocks opened moderately higher, led by the DJIA. However, Nasdaq could only muster a modest early rally. It didn't take traders long to recognize that trading sardines were struggling early in the day.

Traders became unnerved when reports surfaced that the ECB would finally have a serious discussion about ending QE at its monetary policy meeting next week (June 14). So, the S&P 500 Index made an early peak within fifteen minutes of the open.

Risk-On Mood in Equities Falters; ECB Sinks Bonds

<https://www.bloombergquint.com/global-economics/2018/06/05/asian-stocks-seen-mixed-as-global-rally-pauses-markets-wrap>

The ECB Is Nearly Done With Its Crisis-Era Playbook

- *Governing Council will hold its next meeting on June 14*
- *Officials said to see chance policy stance will change*

Chief Economist Peter Praet on Wednesday signaled the bank's first formal round of talks on when to stop buying bonds is imminent...

<https://www.bloomberg.com/news/articles/2018-06-06/draghi-s-ecb-is-on-the-verge-of-watershed-for-its-bond-purchases>

ECB QE Is Dead. Long Live ECB Stimulus - *The end of bond purchases is nigh, but officials need to find a way to maintain support for troubled countries.*

The hawks at the European Central Bank are making their presence felt. They want the policy meeting in Latvia on June 14 to be a "live" meeting for deciding on the end of quantitative easing, rather than yet another showcase for stalling and delay...

For troubled countries, the ECB's presence as a consistent buyer in their government bond markets has given them political breathing space by keeping yields low. It's tough to see how the bank can suddenly withdraw its presence for these nations without serious consequences...

<https://www.bloomberg.com/view/articles/2018-06-06/ecb-qe-is-dead-long-live-ecb-stimulus>

BBG's @lisaabramowicz1: *The ECB may be talking about removing stimulus now in part to show Italy how it feels without the EU behind them: Vanguard's Mathias*

Alphabet shares fall after report says Brussels will hit the company with a penalty over Android

<https://cnb.cx/2JgW7Gi>

The early decline on Wednesday ended with the European close rally. The DJIA soared until midday, led by financial stocks and Boeing. The DJIA was negative while Nasdaq could muster only a modest gain.

There was rotation out of techs and into financials – because the spread between the two groups had become extreme. Apparently, a critical mass of operators was cognizant of the chart that we published in yesterday's report that illustrated the profound divergence between tech trading sardines and financials.

The big-bank rally was largely technical. JP Morgan and B of A had fallen near their 200-day MAs. GS and Citi were so far below their 200-day MAs that 'reversion to the mean' rallies were probable.

Stocks traded sideways from just after the European close rally until a robust rally during the penultimate hour of the session occurred. Stocks then traded sideways for over an hour before a final upward thrust appeared during the last ten minutes of trading.

Stocks have broken out to the upside. With diminished summer liquidity, the DJIA and S&P 500 Index might challenge their all-time highs, which were established during the tax cut mania in January.

US bonds sank on the reports that the ECB could soon curtail its QE. The 10-year note hit 2.978%.

BBG: Home Insurers Drop After Report Amazon Muled Offering Service

The U.S. trade gap narrows [from \$47.2B to \$46.2B] to seven-month low <https://bloom.bg/2JgB7zG>

Positive aspects of previous session

Robust DJIA rally on financial stock and Boeing buying

The S&P 500 Index 4th straight rally day, attained escape velocity from its long trading band

Negative aspects of previous session

Nasdaq, the DJIA and the Russell 2000 were conspicuous laggards

Bonds declined sharply

Ambiguous aspects of previous session

Algos and lemmings are destroying investors' ability to navigate the stock market

First Hour/Last Hour Action [S&P 500 Index]

First Hour **Up**; Last Hour **Up**

Pivot Point for S&P 500 Index [above/below indicates daily trend to traders]: **2764.40**

Previous session High/Low: 2772.39; 2748.46

AP: *The Obama administration secretly sought to give Iran access — albeit briefly — to the U.S. financial system by sidestepping sanctions kept in place after the 2015 nuclear deal, despite repeatedly telling Congress and the public it had no plans to do so...*

The license issued to Bank Muscat stood in stark contrast to repeated public statements from the Obama White House, the Treasury and the State Department, all of which denied that the administration was contemplating allowing Iran access to the U.S. financial system...

<https://apnews.com/27e8179cf10140dca7eb86b3488f01e2/APNewsBreak:-Secret-Obama-era-license-let-Iran-tap-dollars>

Companies are expected to push \$2.5 trillion of "flow" into the economy this year in the form of share buybacks, dividends and M&A. <https://cnb.cx/2kLW6LS>

@bespokeinvest: **Lowest close for the VIX (11.64) since 1/26.** [S&P 500 Index all-time high]

One can surmise that **a VIX squeeze is underway**. **VIX has declined 30% over the past seven sessions**; and the S&P 500 Index is still 100 points from its all-time high of 2873.87, set on January 26, 2018.

Today – Yesterday, the inviting gap between tech sardines and big banks induced operators and investors to buy financial stocks and lighten up on tech issues. Traders will try to discern ASAP if that rotation is operational for a second consecutive session.

As we mentioned in Wednesday's missive, there is little fear of the downside. Traders are so ebullient that sentiment readings are near extreme readings. Rallies tend to proceed for some spell when sentiment is outrageously bullish. But, we all know what eventually will happen.

The strong rally on Wednesday not only negated the hourly downside MACD warning, it also turned the negative daily and weekly MACDs to positive readings. Most signs are 'go' for the upside.

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The 10-year note is back to a level (3%) that threatens equities. Astute traders will monitor the 10-year note as well as any indication that an asset allocation out of equities and into notes/bonds is occurring.

The S&P 500 Index 50-day MA: 2680, 100-day MA: 2710; 150-day MA: 2688; 200-day MA: 2644
The DJIA 50-day MA: 24,444; 100-day MA: 24,814; 150-day MA: 24,615; 200-day MA: 24,078

S&P 500 Index support: 2760, 2748, 2734, 2720, 2700, 2686, 2675 (50 dma), 2655, 2641 (200 dma)
Resistance: 2780, 2801.90, 2820, 2839, 2851.48, 2872.87 (all-time high), 2900

Expected economic data: Initial Jobless Claims 221k, Continuing 1.738m; April Consumer Credit \$14B

S&P 500 Index – Trender trading model and MACD for key time frames

Monthly: Trender and MACD are **positive** – a close below 2505.65 triggers a sell signal

Weekly: Trender is **negative**; MACD is **positive** – a close above 2883.10 triggers a buy signal

Daily: Trender and MACD are **positive** – a close below 2696.31 triggers a sell signal

Hourly: Trender and MACD are **positive** – a close below 2754.80 triggers a sell signal

Hourly and Daily charts of Trender plus MACD for the S&P 500 Index can be examined on our free app.

<http://www.thekingreportapp.com/>

Senator Grassley fired off more missives/warning shots to Rosenstein and Wray on Monday.

*Dear Deputy Attorney General Rosenstein: The Department's reply to my May 11, 2018 letter seeking information about the circumstances surrounding Lt. General Michael Flynn's reported conversations with the Russian ambassador and FBI records related to those conversations is **insufficient**...*

There is no longer any legitimate reason to withhold facts from the Senate about the circumstances of his conversations with the Russian ambassador and his FBI interview...

If the facts are inconsistent with the plea agreement, that would be an entirely different kettle of fish...

[Much, much more at the link]

[https://www.judiciary.senate.gov/imo/media/doc/2018-06-06%20CEG%20to%20DOJ%20\(Response%20to%20Flynn%20Request\).pdf](https://www.judiciary.senate.gov/imo/media/doc/2018-06-06%20CEG%20to%20DOJ%20(Response%20to%20Flynn%20Request).pdf)

*Dear Director Wray: We are writing to request that the **FBI provide the Committee with a fully unredacted copy of the version of the FBI's Confidential Human Source Policy Guide (CHSPG) currently in force. If a different version was in force in 2016, please provide a fully unredacted copy of that as well...** [Confidential Human Source = spy/confidential informant/stooge]*

[https://www.judiciary.senate.gov/imo/media/doc/2018-06-06%20CEG%20DF%20to%20FBI%20\(Confidential%20Human%20Source%20Policy%20Guide\).pdf](https://www.judiciary.senate.gov/imo/media/doc/2018-06-06%20CEG%20DF%20to%20FBI%20(Confidential%20Human%20Source%20Policy%20Guide).pdf)

A very good source tell us that FBI and DoJ chiefs are trying to get Horowitz to soften his report by inserting qualifiers, like “possibly” in regard to illegal or questionable activities. The delay game and pleading for a softer report obviates that the charges are very serious and harmful to the FBI and DoJ.

DOJ watchdog finds James Comey defied authority as FBI director, sources say

*One source told ABC News that the draft report explicitly used the word "insubordinate" to describe Comey's behavior. Another source agreed with that characterization but could not confirm the use of the term... Inspector General Michael Horowitz **also rebuked former Attorney General Loretta Lynch** for her handling of the federal investigation into Hillary Clinton's personal email server... <https://abcnews.go.com/Politics/doj-watchdog-finds-comey-defied-authority-fbi-director/story?id=55670834>*

At a minimum, which means no criminal charges against Comey, the IG report obliterates the notion that Trump should not have fired Comey.

Giuliani accuses Mueller team of trying to ‘frame’ Trump

<http://thehill.com/homenews/administration/390934-giuliani-accuses-mueller-of-trying-to-frame-trump>

Anti-Trump Deep State Spy Stefan Halper Was Busted on Crack Cocaine Charges [in 1994] !

<https://www.thegatewaypundit.com/2018/06/omg-anti-trump-deep-state-spy-stefan-halper-was-busted-on-crack-cocaine-charges/>

Why the FBI Needs Yet another Cover Story for Starting Sogate

An examination of the George Papadopolous explanation for its Russia-Trump collusion investigation shows that the public evidence doesn't fit the FBI's story.

The FBI has long maintained that it launched its investigation into the Trump campaign on July 31, 2016, upon learning that Trump foreign policy advisor Papadopoulos knew the Russians possessed "dirt" on Hillary Clinton...

In the last month, those covering Spycgate have revisited that narrative, and after a careful re-reading of the Times article, noted it does not actually say that Papadopoulos told Downer that the Russians had Clinton's emails. To the contrary, the article admits "how much Mr. Papadopoulos said that night at the Kensington Wine Rooms with the Australian, Alexander Downer, is unclear." ...

<http://thefederalist.com/2018/06/06/fbi-needs-yet-another-cover-story-probe-trump-russia/>

@woodruffbets: Peter Strzok played a role in the warrantless seizure of transition team emails

Trump Transition Team Goes to War over Rogue FBI Agent

The Trump transition team may demand an investigation after tens of thousands of emails were handed to the Mueller probe without consent or warrants.

The transition team also charges that the GSA is trying to cover up the involvement of controversial FBI agent Peter Strzok in the allegedly illegal seizure of their emails. A lawyer for the transition team wrote that Strzok "played a larger-than-previously known role in unlawfully seizing our client's records." ...

<https://www.thedailybeast.com/trump-transition-team-goes-to-war-over-rogue-fbi-agent?ref=home>

@ByronYork: A former Starr prosecutor, no fan of Trump, looks at the witness tampering allegations against Paul Manafort and finds them 'thin.'

The Manafort Tampering Allegations

So what is going on here? Why would Mueller's team, whose actions to date have been premised on overwhelming evidence, take this risk and go out on this evidentiary limb?

*My speculation is simple: **This is a sign that they are feeling pressure.** Possibly from Trump. Possibly from Deputy Attorney General Rod Rosenstein. Possibly just from their reading of the public tea leaves. **Whatever the source of the pressure, they have an increased sense of urgency to move quickly...***

<https://www.lawfareblog.com/manafort-tampering-allegations>

Special counsel Robert Mueller's team is requesting that witnesses turn in their personal phones to inspect their encrypted messaging programs

<https://www.cnn.com/2018/06/06/mueller-team-zeroes-in-on-encrypted-apps-as-witness-turn-in-phones.html>