

Bank Problems = Bearish Thumb on Stock Market Scale

If you were not bearish already, then perhaps time to reconsider your stock market (SPY) outlook. As you will discover in today's commentary, even the best case scenario for the recent banking concerns still likely tips the economy into recession which leads to deepening bear market. Read on below for the full story including a game plan to trade your way to profits on the way down.

There were plenty of reasons to already be bearish. Most of them were highlighted in my latest presentation, REVISED: 2023 Stock Market Outlook.

But now you layer on top deepening concerns about a potential banking crisis and it's becoming a slam dunk for the bears. This explains why we are back below the 200 day moving average for the S&P 500 (SPY) once again poised to head even lower.

What happens next?

What is the right trading plan?

What are the best trades to make now?

That is what we will focus on in today's conversation.

Market Commentary

I have already been on record as saying that this is clearly not the 2008 financial crisis revisited. Not even close.

Unfortunately enough damage has already been done that even if another banking failure does not emerge that it already puts a thumb on the scale towards recession. Don't just take my word for it...let's get some insights from one of the economists over at JP Morgan who recently said:

"A very rough estimate is that slower loan growth by mid-size banks could subtract a half to a full percentage-point off the level of GDP over the next year or two. We believe this is broadly consistent with our view that tighter monetary policy will push the US into recession later this year."

Goldman Sachs had similar sentiments in a note this week:

"We have seen a tightening of lending standards in the banking system, and my suspicion is that they will tighten further from here and potentially could tighten quite sharply, at least in the near term. On balance, my guess is that banks will take a view that this could result in either a near-term recession or a deeper recession than you would have had without this event."

This is probably the best case scenario.

Now imagine the worst case. That being greater scrutiny by investors and bank regulators which uncovers another handful or more of large banks that need to be taken over or recapitalized. The headline risk on each round of breaking news would be bad devastating for the stock market.

Beyond that is the increase in fear by the average consumer and business owner that leads to greater caution...which is a fancy way of saying they will spend less. That is the road to recession. And that road was already getting paved by the Fed with a hawkish regime dead set on lowering demand to tame inflation this year.

I can not say for sure where on this spectrum of banking outcomes we will land. Unfortunately, even the best case for banks still points to likely recession and extension of bear market.

This explains why the last 9 sessions have been below 4,000. And 6 of the last 7 sessions below the 200 day moving average (red line below).

Some investors will want to wait for the next Fed announcement on 3/22 before making their next move...*but why???*

Remove the banking issues from the equation. They were incredibly clear that inflation is still too high and that they will keep pushing rates to 5%+ and have that in place through at least the end of the year.

That extended period of hawkishness, plus the lagged effects of Fed policy, is a pretty sure elixir for creating a recession. This explains why stocks were selling off into this announcement BEFORE the banking issues ever emerged.

Now let's consider the borderline insane notion that the Fed could pause their rate hikes in March to lessen the pain over

recent banking issues. Here is what I said about that in my Tuesday commentary:

"I actually suspect that investors would take that as a negative. That is because it would be a signal to investors that the Fed is SERIOUSLY worried about the stability of the banking system that they have to deviate so significantly from their hawkish plans.

Meaning that investors SHOULD NOT consider such a move as a dreamed of "dovish pivot". Rather this would be the Fed hitting the panic button that the stability of financial system is now more important than fighting inflation (which they have dubbed as Public Enemy #1 for over a year).

For as funny as it sounds...let's all pray that the Fed continues to hike rates aggressively at the 3/22 meeting as pressing pause could be much worse for stocks."

Any way you slice it I would suggest being bearish into that 3/22 Fed announcement.

Now let's move on to economic data which is only darkening in the manufacturing space which is often called the "canary in the coal mine" of the US economy. On Wednesday the NY Empire State Manufacturing Index dropped to -24.6 versus expectations of -7...way off the mark.

Things did not get better on Thursday as the Philly Fed Manufacturing Index came in at an equally ugly -23.2 about 2X worse than expected. There we find that the forward looking New Orders component is even worse at -28.2 (the lowest reading since the heart of Covid in May 2020).

For my money the outlook is looking rather bearish. That is sometimes hard to see clearly with all the recent volatility. Which leads one to pull back to take in the big picture.

That is why I say from a fundamental perspective things

continue to tip towards recession which creates bearish environment. Further, the emergence of the banking concerns is only a cherry on top.

So, the word to the wise is to prepare for further downside action in the weeks ahead.

What To Do Next?

Watch my brand new presentation, **REVISED: 2023 Stock Market Outlook**

There I will cover vital issues such as...

- 5 Warnings Signs the Bear Returns Starting Now!
- Banking Crisis Concerns Another Nail in the Coffin
- *How Low Will Stocks Go?*
- 7 Timely Trades to Profit on the Way Down
- Plan to Bottom Fish for Next Bull Market
- 2 Trades with 100%+ Upside Potential as New Bull Emerges
- *And Much More!*

If these ideas concern you, then please click below to access this vital presentation now:

REVISED: 2023 Stock Market Outlook >

Wishing you a world of investment success!

Steve Reitmeister...*but everyone calls me Reity (pronounced "Righty")*

CEO, StockNews.com and Editor, Reitmeister Total Return

SPY shares rose \$0.01 (0.00%) in after-hours trading Friday. Year-to-date, SPY has gained 1.98%, versus a % rise in the

benchmark S&P 500 index during the same period.

About the Author: Steve Reitmeister

Steve is better known to the StockNews audience as “Reity”. Not only is he the CEO of the firm, but he also shares his 40 years of investment experience in the Reitmeister Total Return portfolio. Learn more about Reity’s background, along with links to his most recent articles and stock picks.

More...

The post **Bank Problems = Bearish Thumb on Stock Market Scale** appeared first on **StockNews.com**

<https://www.entrepreneur.com/finance/bank-problems-bearish-thumb-on-stock-market-scale/447901>