

# TECHNICALS VS. FUNDAMENTALS

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This has always been a problem for investors. Sometimes these two go together, but often they do not. A classic example of both is in the chart below. A week or so ago, the bond market broke out of the greatly followed bond technical declining wedge pattern and signaled the start of a bond bear market (higher yields). It also is used as a technical indicator for stocks. For stocks it also foresees a bear market (lower prices).

Well, what should we make of its signal? The fundamentals strongly point to a possible recession. That being the case, for bonds (government bonds only) it's false; and for stocks it's correct. As you know, debt is the problem very few take into account. That is a matter of fundamentals. When that is considered, I say buy bonds and sell stocks.



Adapted from zerohedge.com