Market Commentary

By Art Cashin

Prepared by UBS Financial Services Inc.

Statistics:
Fair Value = N.A.
Buy Program = N.A.
Sell Program = N.A.

Cashin’s Comments
An Encore Presentation

On this day in 1635 (give or take a decade or two), the British merchant fleet learned yet one more thing from their Dutch antecedents.

As you will recall from fourth Grade (yes, Sister, I promise I'm listening, put down dat ruler please!), at about this time, the Brits, French and Spanish were busy fussing about things like primogeniture and feudal estates or 30 year wars (give or take a decade or two). Meanwhile, the Dutch were trading the astrolabes off everybody.

While most nations were taxing, taking, shooting and sinking other folks, the Dutch were building ships for merchandise not munitions. In addition to promoting free trade, free ports and building ships designed to minimize labor and increase cargo, the wooden shoe crew knew they needed accountability….and that meant accounting.

Each ship sailed with enough of an allowance to provide for the needs of the ship, the officers and the crew during the voyage as well as for the purchase of the goods to be brought back. Unless you are an MBA, you may have already realized that having the most money available for purchase of goods for cargo might make you a very wealthy captain when and if you got home safely and when and if the ship’s owners whacked the profit up with you.

Now even if you are an MBA, you may already realize that this might lead captains not to be too free with money, fresh fruit and grog with the crew. In fact, the crew had little control over anything except what they ate….er….rather how much they ate of what was served. (Don’t get tired we’re almost to the point.)

Anyway, the English sailors introduced an entrepreneurial and democratic spin on the rules laid down by the accountants. Since their main compensation was not set till the end of each voyage and then only by the random price for cargo in the port when they arrived, the sailors tried to find a way to match their efforts to their ships success.

Their provisions were mostly beans and salt pork. If you didn’t eat all the salt pork on your plate, the cook could rend the scraps down to a kind of tallow which on board ship was called slosh or slush. The slush was used to make candles to fuel lanterns, or to grease capstans, masts or blocks. But sailors found that some ports into which they sailed lacked animals and thus they had little tallow or slush to make their own candles, etc......so they would pay
a premium for the slush. The money that was gained from the sale was used by the crew for needed repairs that the bean counters either didn’t envision or wouldn’t pay for. And thus, on this day (give or take a decade or two), the special account from the slush or the "slush fund" was established.

Traders didn’t have to dip into their respective slush funds as markets meandered to a somewhat neutral close.

Stocks opened higher, on an apparent "mis-hearing" of comments by Secretary Mnuchin on trade talks. I alluded to that confusion in my pre-opening Comments Wednesday.

Here’s what I wrote:

Futures spiked this morning as Secretary Mnuchin told CNBC that we "were" 90% there on a China deal. Futures seemed to hear it in the present tense, as in we "are" 90% there. Let's see if they adjust the pop to the tense.

The obviously nervous shorts thought they heard the present tense and rushed to buy the futures. That resulted in a mini-spike in the indices at the U.S. opening.

A rethinking of the bullish pop began within minutes of the bell. The gains were quickly cut in half but the Dow managed to hold onto plus territory throughout the morning and into early afternoon.

Around 1:00, selling pressure in the S&P seemed to increase and that index dipped into mild negative territory. That put pressure on the other indices.

While the general market appeared to drift, there were clear themes among some sectors.

There was clear selling pressure in the healthcare and pharmaceutical sectors. The assumption was that they would be subject to criticism and negative proposals in the two nights of Democratic debates.

Oil inventories plunged and that spiked crude prices which, in turn, brought active buying into the energy sector.

An upbeat report from Micron inspired buying all across the semiconductor sector.

There was selling also in the utility and real estate sectors.

In the closing minutes of trading, the general selling pressure increased, which led to negative closes in the Dow and S&P.

All in all, another day of consolidation.

**Overnight And Overseas** – Asian equity markets generally leaned to the up side. Tokyo and Hong Kong closed with solid rallies. Shanghai was up more moderately. India was odd man out, closing with a fractional loss.

European markets are mixed in relatively light volume. London and Paris are trading with small losses, while Frankfurt is fractionally higher.

Among other assets, Bitcoin has been quite volatile. After spiking above $14,000, it has reversed and is trading around $11,800 as dawn hits Manhattan. Gold is a shade lower, currently trading close to $1400. Crude has softened after Wednesday's spike, with WTI trading just under $59. The euro is flat against the dollar and yields are basically unchanged.

**Consensus** – All eyes are on the G20 meeting in Japan. While Trump and Xi will not likely meet until Saturday, it is reported that Xi has presented a list of conditions for the trade talks. That could influence markets a bit.

Iran is still out there and is likely to pop back into the news today or tomorrow.

Look for one, or more, of the players to try to unsettle Biden tonight. If they are successful, could move Friday's market.
Stick with the drill – stay wary, alert and very, very nimble.

Trivia Corner

Answer – The mountain was Mt. Lassen

Today's Question – What comes next - : 144, 121, 100, 81, 64, ___?

NO COMMENT FRIDAY