Market Commentary

By Art Cashin

Prepared by UBS Financial Services Inc.

Statistics:

<table>
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<tbody>
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<tr>
<td>Buy Program</td>
<td>N.A.</td>
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<td>Sell Program</td>
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Cashin’s Comments

An Encore Presentation

On this day (+1.....which would be Valentine’s Day, of course) in 1929, a group of executives gathered for a mid-morning get-together. Records do not indicate that coffee or buns were served. Nor do they appear to indicate that the seven men gathered around the water cooler (maybe because there was no water cooler).

Anyway, seven top guys in “Moran Enterprises” were gathered in a nondescript Chicago garage. Suddenly, the regulators appeared. In this case the regulators were dressed in the uniforms of the Chicago Police. So to comply with this surprise audit, these seven men, men who worked for George Moran Enterprises faced the wall and raised their hands (a standard audit procedure at that time).

This time, however, the regulators were not police. Rather they were Al Capone’s hit men dressed as cops. Instantly, they began firing Thompson sub machine guns (not standard audit equipment even at that time) at the backs of the seven gunsels from “Bugs” Moran’s gang. After the initial burst, they checked the victims and put away any of those still moving. Then they drove off.

From drive-up to drive-off the whole thing took less than eight minutes. The bloodshed was so bad that one hardboiled reporter, from the Chicago City news, walked into the garage, and remarked “I got more brains on my feet than I got in my head”. And he had a big head.

Thus, the event entered American popular mythology as the “St. Valentines Day Massacre”.

To celebrate attend a Conference on Market Neutral Strategies. But, if some guys claiming to be from the SEC show up carrying violin cases, try to crawl out the restroom window.

Stocks traded as though the coronavirus had suddenly disappeared. All of the sectors deemed to be vulnerable to the consequences of the virus rallied smartly. Casino stocks soared as did airlines, energy stocks and entertainment groups.

The "virus relief" rally hung tough all through the session and there was even an "icing on the cake" rally in the final hour, allowing the three key averages to close at the highs and record closing highs at that.
The rally was very broad and the breadth of the market in the early going had advances over declines by nearly 3 to 1. That flattened out a bit by the sessions close.

All in all, it was a solid day for the bulls although the rally did take the market into overbought territory.

**Virus Cases Soar** – China announced a spike in coronavirus cases of nearly 15,000, bringing the total number of cases to nearly 60,000. Dow futures pre-opening are down over 200 points.

That is a rather modest loss because the spike is due to a change of methodology. If it had been due to a new burst of contagion, I think we might have plunged a thousand points or more.

China ousted two key officials in the epicenter of the outbreak. They are also sending in 2500 of military medical staff to Wuhan, hinting the virus threat may not have crested.

Japan reported its first death from the virus. Stay tuned, the game is not over.

**Overnight And Overseas** – Asian equity markets saw a pullback as a change in methodology caused a sharp jump in the number of reported cases. Japan and India closed modestly lower, with somewhat heavier selling in Hong Kong and Shanghai.

Interestingly, the selling is slightly more aggressive in London, Paris and Frankfurt.

Among other assets, Bitcoin has backed off its high and is now trading just above $10,100. Gold is shade higher and WTI is trading just under $51. The euro is a bit softer against the dollar and yields are slightly lower.

**Consensus** – The Chancellor of the Exchequer resigned. Traders wonder if it is Brexit related. Merkel’s attempt at an orderly succession continues to dissemble. European struggles may loom.

Skepticism about validity of China’s numbers on virus seems to have been well placed. Traders await new double checking.

Stick with the drill – stay wary, alert and very, very nimble.

**Trivia Corner**

Answer - Bob won the new race by a yard. In the first race Bob ran 100 yards while Ross ran 90. If the race took, say, 10 seconds than Bob ran 10 yards per second while Ross ran 9 yards per second. Thus Bob would run the 110 yards (100 + 10 yard handicap) in 11 seconds enough time for Ross to run 99 yards.

Today’s Question - An old Sr. Partner decided to really test a hotshot job applicant. He said - “My son is 24 years younger than I am. My grandson is 25 years younger than my son. My age plus my grandson’s age equals 73 years. If you want the job tell me how old I am.” Well??

**NO COMMENTS FRIDAY**

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