Struthers Report V24 # 14.1 Markets, top is in, CWBR June 29 , 2018

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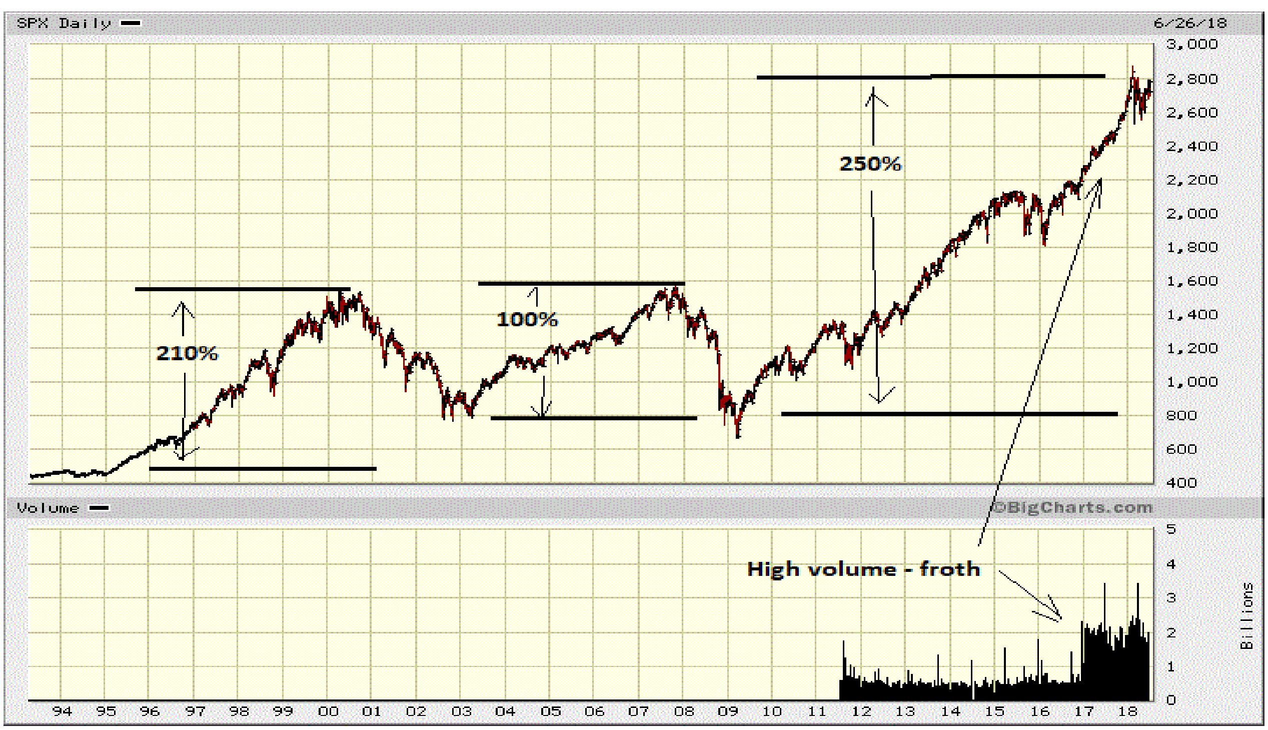
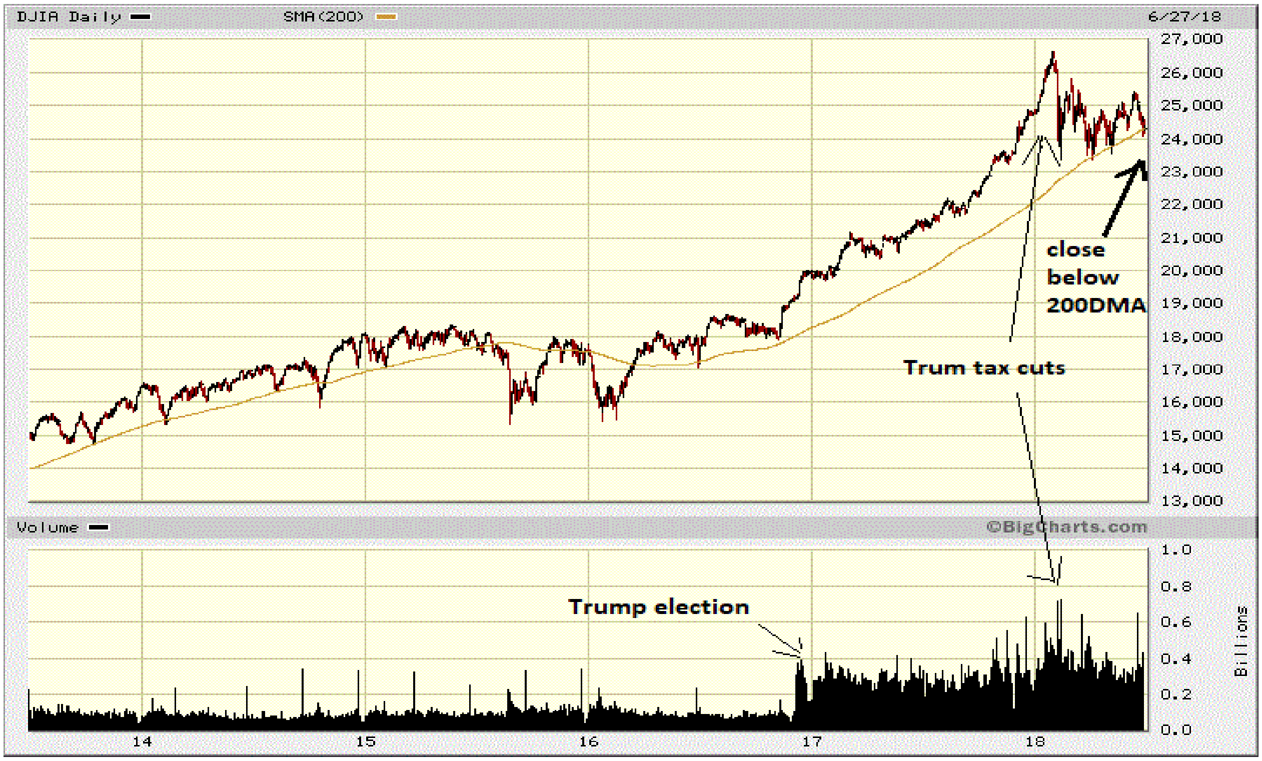
Bear markets and recessions are not easy to predict or time. I have had success by carefully watching many indicators and deciphering what outcome they are trying to predict. With experience I have learned that bear markets and recessions (BM&R) often evolve with similar events or trends in place.

- BM&Rs always surprise most, and even with their onset are denied.
- They usually follow a long period of economic growth and lengthy bull markets.
- Most often the Fed is engaging in a tightening cycle (raising rates).
- There is always other economic or market factors (Trade War).
- Markets always see a frothy peak and struggle to go higher before a big decline.

Everyone obviously knows we have seen a long period of growth, a long bull market and the Fed is tightening. The trade war is becoming obvious, but it often takes more than one economic factor, so I will explore some other possibilities on the near term horizon. Let's start with frothy markets.



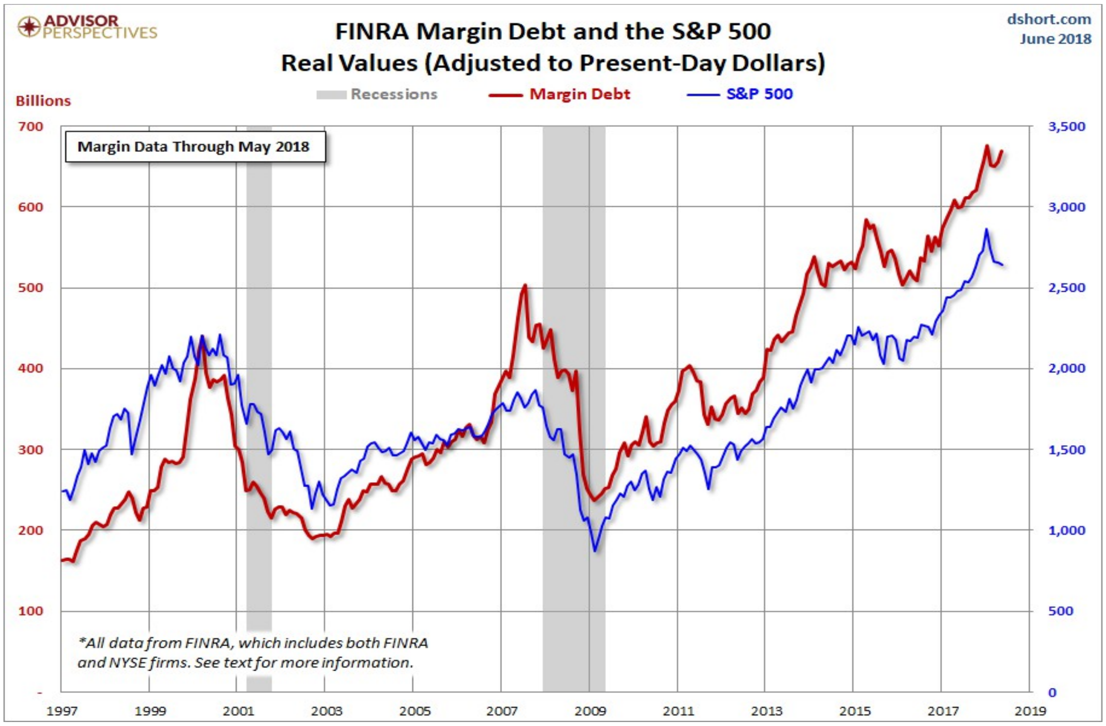
The above chart easily reveals a long bull market with a gain much larger than the past two major bull markets. You can see that high volume and froth occurred once Trump was elected and probably peaked in January after his new [tax bill was passed] in late December 2017. Buy the rumor sell the news. Below I show a short term chart on the DOW and it shows the same pattern and high volume, and also a close below the 200 day MA for the first times since 2016



The froth was not only in general equities, but marijuana stocks, block chain stocks and bitcoin. I issued an update to sell crtypto currencies and block chain on Dec. 19th and 20th, just days after what turned out to be the peak. My January 18th update was crypto's were in a bear market and heading lower. The frothy top was very easy to see in this market and I believe it is still heading much lower.

Marijuana stocks are more difficult to measure because of their short life span. The Horizons Marijuana Life Science ETF (HMMJ) is one way and there are the marijuana indexes that I have been using. This chart is the Canadian index and the other indexes showed the same frothy peak in January. We took some profits and I expected a correction, but then followed by another rally to test the highs. That did happen with the United States Index but not Canada. With the U.S. index we have a double top, while the Canadian index is consumed in a bear market. Many of the stocks I follow in Canada have gone on to new highs, so performance is a mixed bag. **I now believe we have seen the top and any rally will be a bear trap. I plan to be a seller into the next rally. A break below 575 would be bearish.**

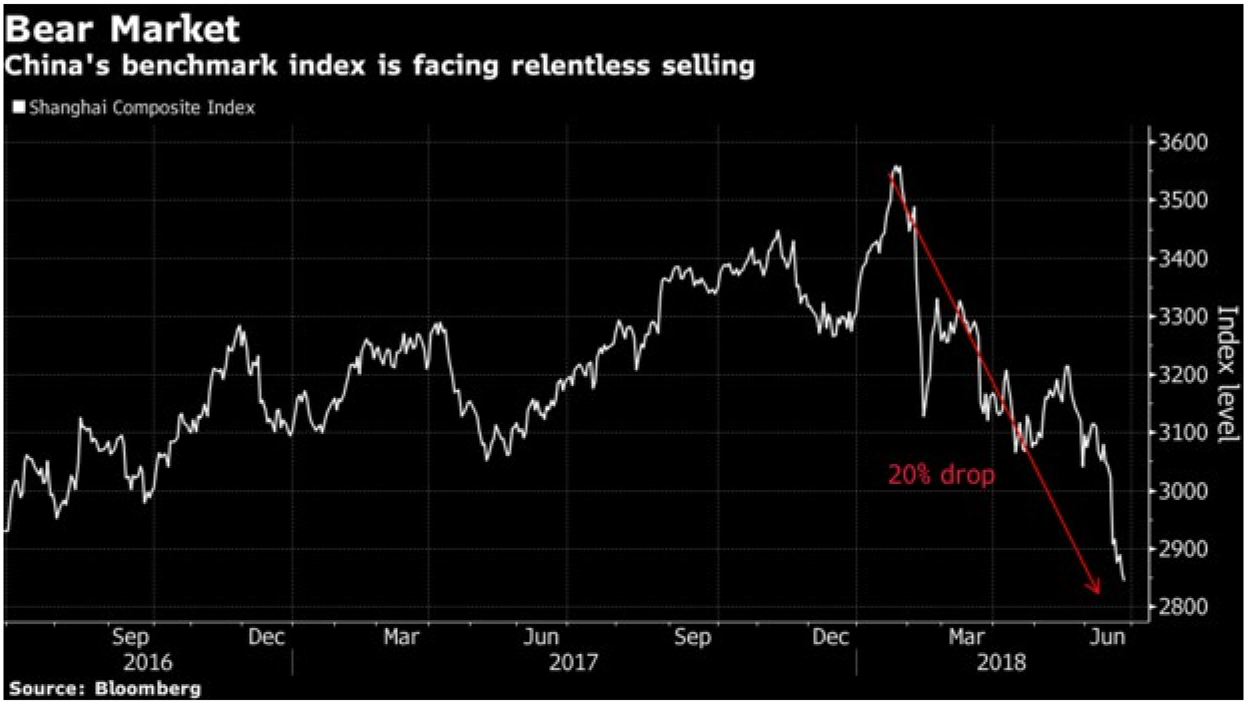
I also follow margin debt at advisors perspectives and you will always see a strong rise in margin debt and a peak before a bear market and recession sets in. The recent peak certainly qualifies.



I also watch the University of Michigan consumer survey and The Conference Board Leading Economic Indicator and while these may give some warning of a recession, the market is often already in bear territory predicting the same thing.

There is no doubt we have seen frothy market tops, the Fed is tightening, but how big a factor is the Trade War. There is one thing certain about Trade Wars, they have bad effects on everyone. So far the U.S. market is towing the Trump line - that world trade has adversely affected the U.S. so his tough stance will help in the end. That has been proven wrong every time in the past and will so once again. The best argument is - who gets hurt the least. Harley-Davidson fired the first warning shot over the USS Trump's bow just two days ago. Harley announced they would move some production to Europe to avoid a $2,200 retaliatory tariff. The reality is that Harley has to compete with other motorcycle companies and their U.S. sales peaked in 2005 and have never recovered. They have been expanded abroad to stay in business and try to grow. Ironically their purchase of a stake in Alta Motors that will build the first battery powered Harley is probably the best chance to save the company.

In a more pronounced signal, China's benchmark index has gone into bear territory with Trade Wars the cause. This is a signal the world's largest economy is heading for trouble and that can easily have a ripple effect around the world.

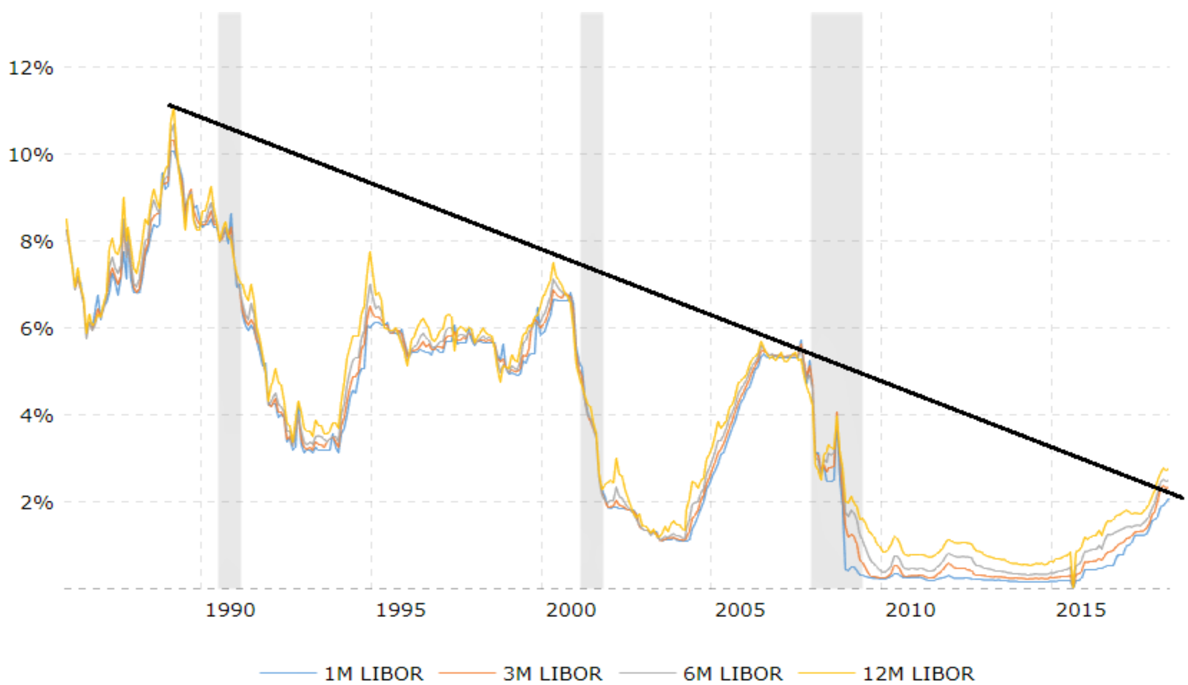


The odds are very high that we have seen a market top in this bull market. However, there is still some rotation occurring and money has been flowing from weaker sectors into Tech stocks and into Canadian resource and oil stocks. The Nasdaq (COMP) hit a new high of 7,800 but only about 2.5% above it's peak in March. I will be watching that index and it might be setting up for a head and shoulders top.

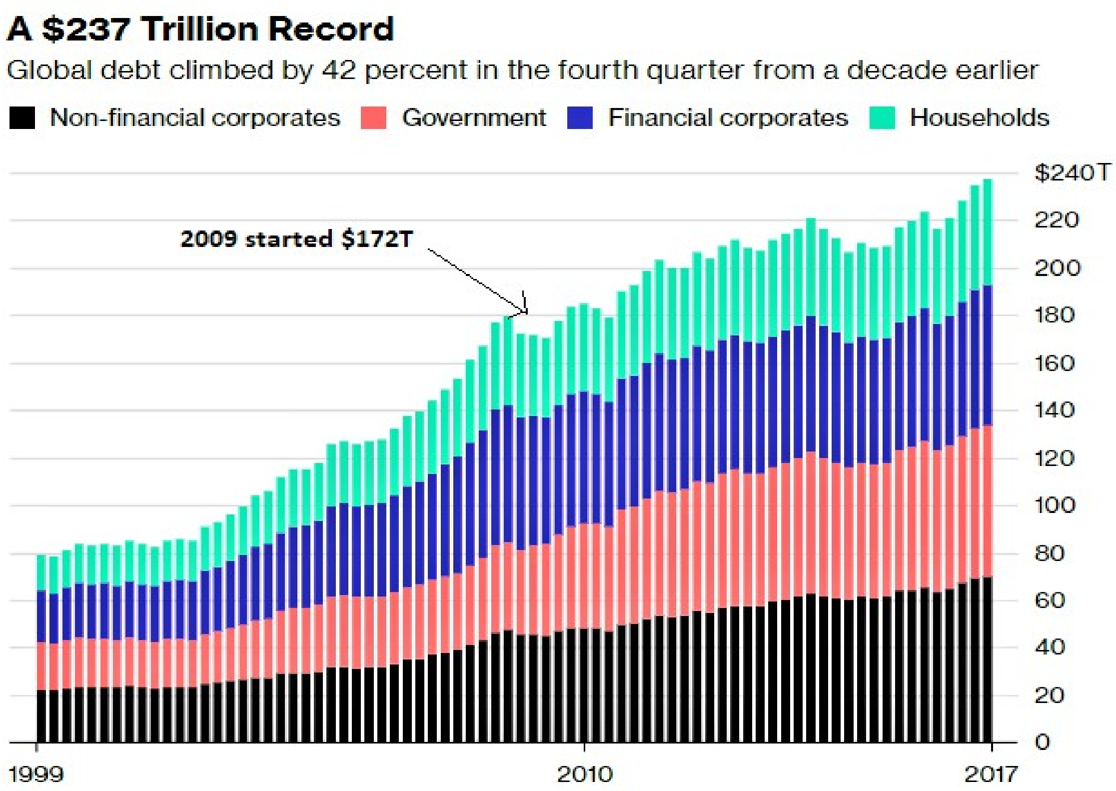
The Canadian main TSX Index has put in a double top

What might be the final shoe to drop that sends markets into bear territory?

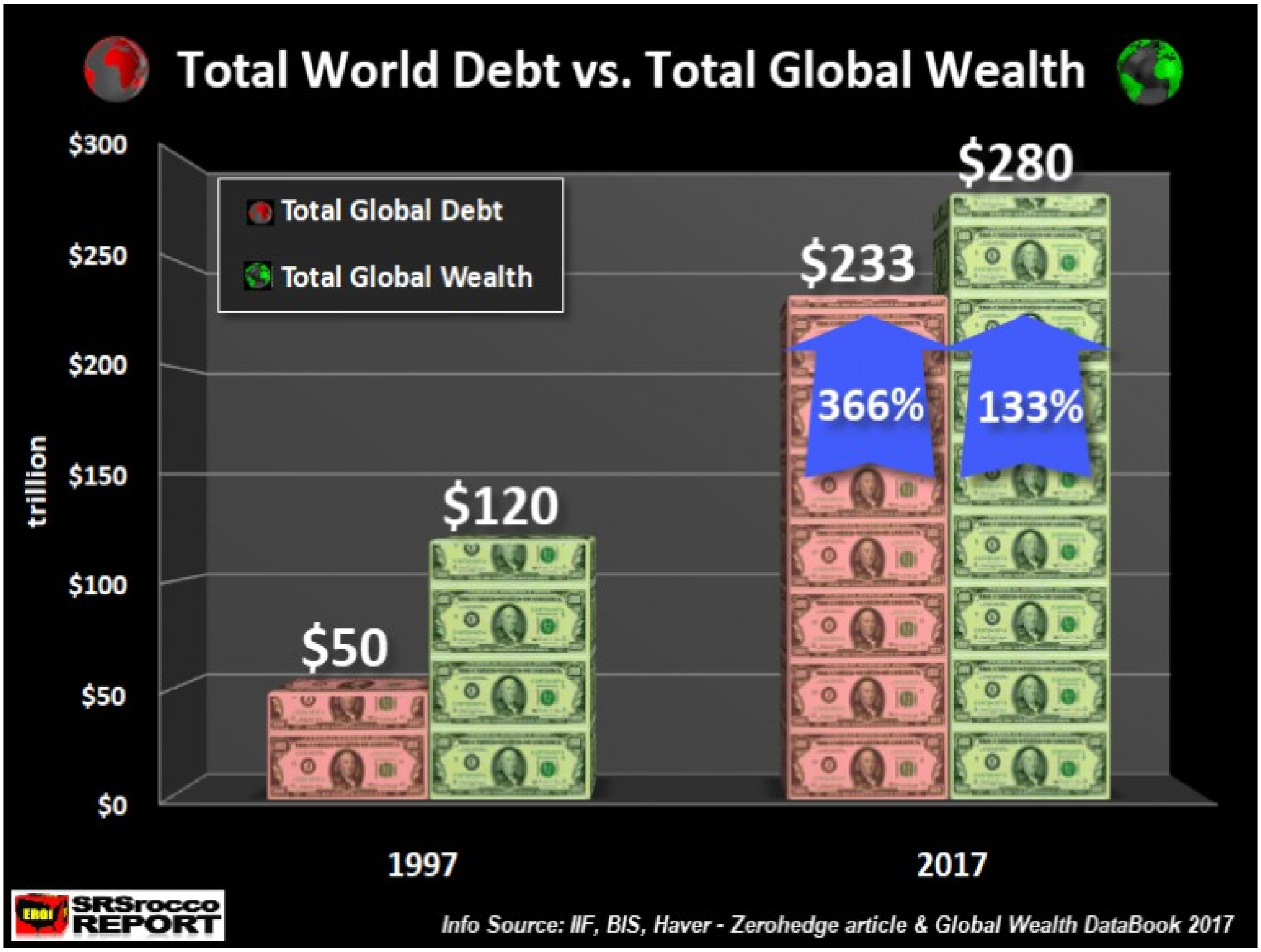
There is plenty of tensions around the world, Russia and the U. S.and the Middle East, but these are almost always present and a flare up might not be taken very seriously. Most likely is a major debt problem somewhere in the world. The rising prices of assets like real estate, stocks and bonds has helped mask an alarming rise in debt. I have used this chart a couple times in the past 6 months and this one is updated to June, showing Libor rates a bit higher.



I have drawn the down trend line which highlights the fact that interest rates do not have to rise as far in each cycle before an economic down turn is triggered. This is because with each cycle more debt is piled on around the world by governments, corporate and consumers so interest rates do not have to rise as much to create excessive burden. Let's look at how that debt burden has increased since the end of the last cycle in 2009. The most current and best chart I found was from a Bloomberg article that showed total debt at the end of 2017 at $237 trillion, up from $172 trillion at the start of 2009.



Note that debt is increasing in all sectors and we seen a new surge higher since 2015. I believe that is mostly a reflection of increased interest rates. The debt junkies have to pay more interest on their debt so they have to pile more debt on. I have no doubt that 2018 will see a larger increase in debt then 2017. The increase in economic activity and asset prices as I mentioned above has helped to manage that debt increase, but the rising interest rates world wide as we see in the Libor chart above are a double whammy. Not only do they increase the debt burden but they decrease the value of bonds a major world asset class. The world bond market is over $100 trillion so represents the largest portion of global wealth. This next chart from SRSrocco shows an alarming trend.



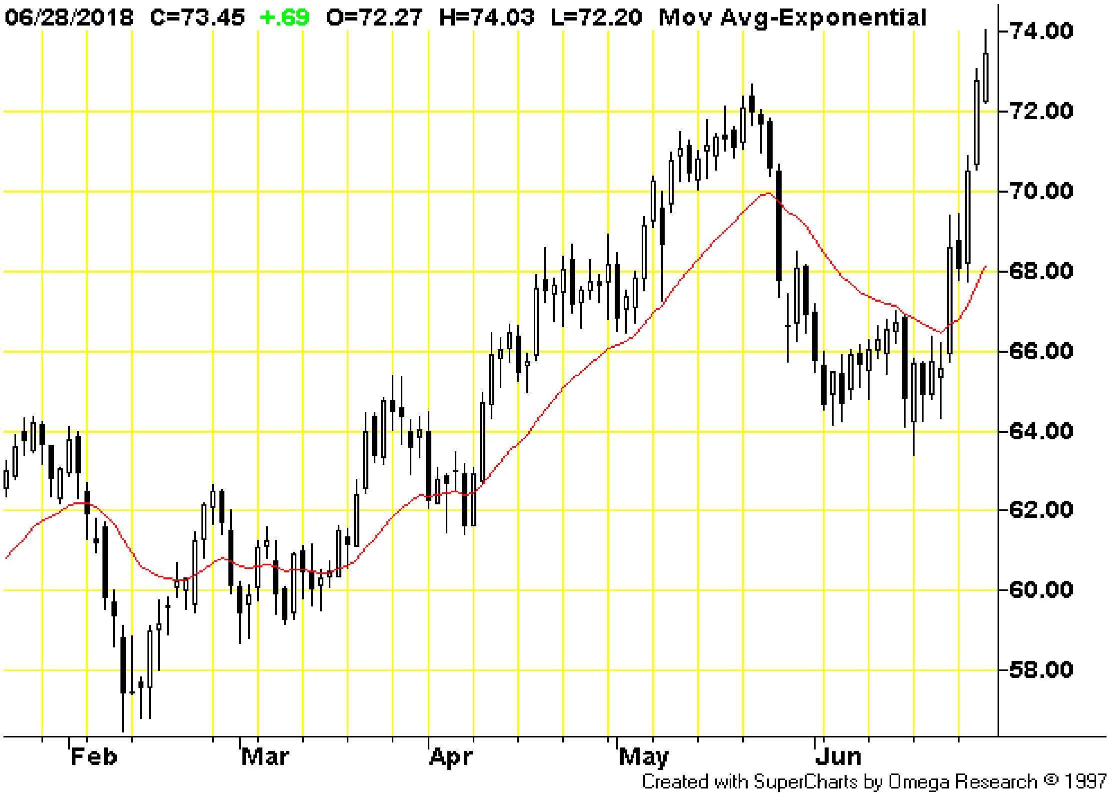
The data is to the end of Q3 2017 and we know that debt hit $237 trillion at the end of 2017. Total global debt increased from $217 trillion at the beginning of 2017 to $237 trillion at the end of 2017. That is a $20 trillion increase in global debt in 2017 compare that to U.S. GDP that hit $19 trillion in Q3 2017.

The good news was a surge in Global wealth in 2017. The latest data I could find from Credit Suisse showed a surge of US16.7 trillion. They use data to mid 2017 and this was the fastest growth since 2012. They claim the gain reflects wide spread gains in equity markets matched by similar rises in non-financial assets which moved above pre-crisis year 2007 for the first time. We know that equity markets moved higher to end of 2017 but have since fallen off. China is into a bear market and in Europe after failing to reach the 2015 highs has dropped in 2018.

So, even if global wealth surged in 2017, so did world debt. As you can see in the debt chart above, debt is rising 3 times faster than wealth. Nothing is being done to curtail debt, in fact it is being added to at a faster rate, so stocks need to continue surging higher to keep the game afloat.

The U.S. represents about 40% of wealth so performance of U.S equity markets will be crucial. On my last update with the S&P 500 chart, support held around 2600 and we started to rally, I expected a move up to 2800. This level was important resistance and if we could break through - a test of the January high would be in order. We went down after the 2800 test and have bounced off the bottom of the recent uptrend and maybe headed back to 2800. A break below the trend and 200 day MA would be negative and a test of 2600 down side would probably occur.

I believe the best outcome we can expect in current conditions is a sideways and range bound market until current factors (trade war) plays out. Another negative factor that might emerge is higher inflation. I noted in my June 5th update that commodity inflation was on the rise. Since then Oil prices have broken higher shown here on Comex futures.



Factors pushing prices are production shut downs in Canada oil sands and Venezuela's Oil production has collapsed. It is still heading down in the midst of their economic crisis. In November 2017 production was down to 1.8M bpd from 3M years ago. Now it is under 1.5M and falling. U.S. sanctions against Iran will not stop all the oil flow from their but will surely reduce it. The IEA has warned that a large supply gap could become apparent in 2019 if supply problems are not over come. They are predicting demand to top 100 million bpd in 2019.

I believe Oil prices are now heading into the $90 to $100 range and wouldn't this be nice for Saudi Arabia to kick off their huge Armaco IPO. Ironically the biggest bearish factor to Oil might be the trade war if it starts to affect global economic growth.

The rest of 2018 will prove to be very interesting, stay tuned.

Cohbar **CWBR** **Recent Price US$6.45**
Entry Price 4.90 **Opinion – buy on this correction**

It has been a while since I updated Cohbar and the stock made a large pop this month. I believe it was a combination of a new board member, inclusion in the Russel 2000 index and anticipation of their participation at the American Diabetes Association Conference in Orlando, Florida this past Monday. The annual ADA meeting is the largest scientific meeting on diabetes and metabolic diseases in the world, with 18,000 attendees expected this year. NASH affects as many as 12% of adults in the U.S. and there is currently no approved treatment for the disease.

Cohbar presented new data in a poster presentation titled: "*CB4211 is a Potential Treatment for Metabolic Diseases with a Novel Mechanism of Action: Sensitization of the Insulin Receptor."* In the poster, CohBar scientists and their collaborators provided *in vitro* evidence that CB4211 inhibits adipocyte lipolysis, a process that is foundational in the development of liver steatosis, through an insulin-dependent mechanism.

This new data provides a potential mechanistic explanation for previous observations in vivo, including efficacy of CB4211 in animal models of NASH, and anti-steatotic effects on livers of mice on a high fat diet, where a corresponding reduction in circulating fat and biomarkers of liver damage was also observed. The poster also describes beneficial effects of CB4211 on glucose homeostasis in vitro in cultured muscle and liver cells. The activity of CB4211 appears to be specific to sensitizing insulin action on the insulin receptor.

Kenneth C. Cundy, Ph.D., CohBar's Chief Scientific Officer stated in the news release. "*The insulin receptor plays a key role in metabolic regulation. By sensitizing the insulin receptor, CB4211 appears to regulate the secretion of free fatty acids from fat cells, a process that is overactive in obese and insulin-resistant subjects and potentially contributes to the pathological consequences of metabolic dysregulation. We believe CB4211 affects a foundational event in the etiology of NASH and potentially other metabolic diseases. The novel mechanism of action of CB4211 may also offer a complementary approach to other mechanisms currently being explored for the treatment of NASH and other metabolic diseases. We look forward to further testing the potential of CB4211 in clinical studies."*

It is difficult to follow in the poster, but I basically think of CB2411 as the potentail to greatly reduce age related diseases like heart attacks, obesity and liver function etc. It holds the best potential I have seen as 'the fountain of youth' .

The stock was added to the Russel 2000 effective June 25th and often funds that track that index will buy new stocks to the index ahead of the effective date. Cohbar also took advantage of this, announcing today that they completed sales of approximately 2,187,000 shares of its common stock at an average price of $9.14 per share under its previously announced Controlled Equity Offering program, which is now concluded. The company received aggregate proceeds around $20 million.

June 7th Dr Phillippe Calais joined the board.

Dr. Calais has over 30 years of biotech and pharmaceutical industry experience both in North America and Europe, and for the past 6 years has served as the president and chief executive officer of Isarna Therapeutics B.V. ("Isarna"), a developer of oligonucleotide therapeutics. Dr. Calais also served, from 2017-2018, as a director and audit committee member of Marina Biotech Inc. (OTCQB:MRNA), and has been an economic advisor to the French government since 2013. Prior to becoming CEO of Isarna, Dr. Calais managed several biopharmaceutical companies in Canada and in Europe and headed a large technology transfer organization for the University of Montreal. Earlier in his career Dr. Calais held senior management positions at F. Hoffmann-La Roche and Servier Canada. Dr. Calais received his bachelor's degree in pharmacy and his doctor of pharmacy from the UniversitéFrançois-Rabelais in Tours, France, in 1985 and 1987, respectively.

On the chart, $7.00 was the resistance level, with a break above that in June, this price should act as support level and the stock has dropped a bit below to the bottom of the trend line.Technically there is not much down side left, maybe to the $6.00 area. Also note there has never been much volume in this stock, so just now it is beginning to be discovered.

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