



## REMEMBER 1987?

On Friday, October 16, 1987, I was on Channel 22 TV in Southern CA with Ron Insana. He asked: "What do you think now, Arch?" I said: "I wouldn't be surprised to see a -150 point down day followed by a -200 pointer." That was the most bearish comment of anyone I recall. The DJIA closed down -135 that Friday, a new record in points down. Monday, October 19, the DJIA closed down -508 (Art Cashin's NYSE floor tag number!)

You may or may not remember is that Friday was Option Expiration, and apparently major institutions, who had written the Put options, were in a world of hurt. They did everything they could to reduce the damage on Friday, and it was still off -135. But Monday, the options were gone, and so was their support! The event measured 7 Sigma among relative probabilities. The popular practice of "Portfolio Insurance" by shorting S&P Futures was supposed to protect or at least hedge positions down to a 5 Sigma (huge) amount of decline.

The shock of declines caused more and more shorting of futures, then arbitrageurs were buying them and shorting equivalent amounts of stock, thus transferring futures weakness to the cash market. Unintended consequences! Just now thought of it - today is Option Expiration, isn't it? Maybe we should wait to see what happens after our Three-Day Holiday before becoming too aggressive today? Just a Thought! PS:

The vertical line on the chart was the date of a Mars-Uranus opposition, after which ALL crashes of the last 100-Years took place in the following 40% of their Synodic Cycle. The most recent opposition occurred on December 10, 2015.