Twin Horn LLC
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Market Forecast – May 6, 2020
(Updated May 12 to clarify the target date and to add one additional price level)

Hello,

I hope this commentary finds you and your loved ones safe and healthy.

As we come to the May 12 target date mentioned in my last commentary, written on March 22, it is time to share my updated views on the market.

In the March commentary, I called for the market to hold up, and to move higher to sideways through April 4, with April 4 being an important date to see which direction the market may be moving through our next target date of May 12/13. While I thought we may see lower prices at this time, the commentary indicated that the April 4 date should provide the direction through May 12. Thus far, the dates have worked out as anticipated, with prices of US equities moving sharply higher since April 4 (the primary chart provided on the March 22 commentary, with my target date lines unchanged, is included as the last chart in this forecast for reference).

This commentary first provides the primary market insight, then shares some of my thoughts on current market conditions, and then addresses what I believe may be the important historical significance of the pandemic as it pertains to the US economy over the long-term.

This target date is today, May 12 (near the close) or tomorrow, May 13, for the next important inflection point in the US equity markets.

We should see a modest pullback starting today or tomorrow, which should end on Friday or Monday in conjunction with the government's release of the US unemployment figures for April. I then anticipate higher prices for just a couple of days to May 12/13, which will complete the move since April 4.

Starting on May 12/13, I anticipate US equities will start moving lower again, with a retest or takeout of the March low a possibility. We should move lower until June 21 or June 25 (June 25 is the green line on the charts), with potential turning points around May 20; May 30; June 5; and June 10.

My price levels to watch on the S&P 500 for potential entry points for the May 8/10 and May 13 dates include the following (numbers in bold are stronger levels):

Trading Levels to Watch on S&P 500:

2,701	**2,809**	2,881	2,989
2,722	**2,827**	**2,914**	**3,025**
2,774	2,841	**2,935**	3,043

In conclusion, I anticipate the move up from the April 4 target date to end on May 12 (near the close) or May 13, at which time we anticipate lower prices through June 21 or June 25.

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Comments on the Current Market Environment

Strength in the US equities markets masks the true economic hardship that the Coronavirus Pandemic is causing across the country and the world.

The biggest issue is that of government stimulus. While the US Government acted quickly and decisively to bolster the economy, and perhaps these actions were the only choice we had in the moment, that the government is basically carrying the entire economy is of critical importance both short and long term.

The long term market advice “don’t fight the Fed” has clearly been the play during the US equity market’s move higher since April 4, as the government has pumped trillions of dollars into the economy buying securities and all types of debt, as well as potentially forgiven loans to small businesses, and sending money directly to citizens. The Federal Government is also now helping to support the states, whose revenues have dried up due to the shutdown of the economy because of the virus. This is being accomplished through the creation of money from nothing; or as my brother put it, the biggest risk is that the government runs out of green ink!

While they don’t even bother with the actual ink and printing anymore, instead pushing a button to create trillions of dollars, the point is accurate. The long term implications of these continued US policies, now on steroids, are important. I further discuss this subject in my comments on the historical impact of the pandemic, below.

In the short-term, this will create a great deal of uncertainty regarding what will certainly be more stimulus packages to support the weakened economy. These battles on Capitol Hill will include negotiations over who gets what, which industries will be supported, etc., but it’s a bit like a punch bowl because when it gets taken away the hangover starts.

Similar to markets reacting to its perception of what the Fed’s monetary policy is or should be, where traders push the market lower to show the need for a rate cut or some other stimulative action to be taken, what is to stop the market from punishing the market to see larger stimulus bills? That the Republicans now want to show fiscal restraint could create just such a situation where the uncertainty results in lower equity prices.

The difficulty of the Federal Government having to carry so much of the economy is compounded by the also very difficult, if not impossible, job of trying to re-start the economy in the absence of a vaccine/solution to the health crisis.

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The dual uncertainties and challenges of the fiscal support and restarting the economy is like trying to the thread the needle twice. Therefore, I believe this important inflection point on May 13 will result in a market high being made in US equity markets, with lower prices to follow.

The Historical Significance and Potential Long-Term Impact of the Pandemic on the United States

While the pandemic will certainly be prominent in the history books because of the spread of the virus and the loss of life, I believe the financial impact on the United States from the virus may be even more pronounced.

It is difficult to image a scenario where the US government does not continue to spend trillions and trillions of dollars to help bolster the economy. Now, the government is helping states pay unemployment benefits, and the states will be having massive budget shortfalls; think about states without an income tax, such as Florida and Texas, that rely on sales revenue for their budgets, but all state and local governments, with our without income taxes, will face significant challenges on this front. Will the federal government have to bail them out?

Can this spending really continue indefinitely, and be pulled that off successfully? Is there a limit to how much the government can spend, similar to how England needed to leave the ECB after its unsuccessful efforts to support the British Pound in 1992?

How long will the market continue to fund the US Treasury at these low interest rates when our debt to GDP ratio now exceeds 100%? The US may be the best game in town relative to the rest of the world, but that doesn't mean it is completely immune to economic fundamentals. With $25 trillion in debt, a one basis point move in interest rates costs $2.5 billion in additional interest costs. Should the market begin demanding some type of risk premium because of the deteriorated US balance sheet, it could be very painful for the US.

While some believe in a new monetary policy that essentially keeps printing as much money as needed to meet all needs, I do not believe this will work in the long-run. Every economy has to face the music, even the US. I believe this is why the gold market did not wait to move higher; gold has been the medium to measure wealth for thousands of years, as gold has maintained its purchasing power over time, so I am not ready to write off gold as an important economic indicator. The US dollar has not maintained its purchasing power over time, even though cheap good from overseas has hidden that weakness over time. Further, remember that the US currency is a fiat currency, meaning it is not backed by gold or anything else besides US Government promises.

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The US advantage to other countries also struggling with their economies because of the pandemic is that we are funded by the rest of the world because we have the reserve currency that all nations need to have to transact business for certain markets, including the major commodities.

Without this subsidy from the world, the US would have more of the challenges other nations face.

The BRIC nations, Brazil, Russia, India, and China, among others, would like to establish a new currency or mechanism to reduce the world's dependence on US dollars. Even the Europeans, who also need US Dollar-based bank accounts to transact in US currencies, are unhappy with the US's heavy handed and intrusive regulatory requirements.

This could create more opportunity for the US dollar's global position to be undermined over time.

Is it really difficult to see Russia and China lobbying the world that a country with such a poor balance sheet may not be the best leader of the world economy, and that a more collective approach should be considered?

Such policies would harm the global position of the United States economically, militarily, and geopolitically over time, and would certainly lead to deterioration in US standards of living over time.

I've included some charts following the overview of my approach to markets, disclaimers, and information on my background.

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My Approach to the Markets and disclaimers

Some of you are familiar with my work on financial market cycles, but others are not, so a quick word and disclaimer. I am not soliciting or suggesting any trades or market activity, and take no responsibility for any financial decisions you may choose to make. I am simply sharing my insights and offering possibilities based on years of specialized research and hard work. I work to identify windows of time where risk/reward ratios are favorable in certain markets. My work is best utilized by professional traders that understand how to manage positions, and enter and exit the market in a way that controls risk. Having the information does not mean one will be successful monetizing this information. I believe that the work to identify the cycles and timing points is an entirely different skill set than the talents needed to use this information effectively in the markets. Further, this approach is typically with the mindset of having speculative capital, and deploying it when opportunities can be identified, and that both price and time stops should be used by the trader. As a result, this information may be more suited to hedge funds that take risk and actively manage positions, and possibly less so for investment portfolio managers who often deploy a longer-term time horizon and are often more risk averse. Because of the timing nature of my work, I believe that sophisticated investors and options traders familiar with multiple strategies for controlling risk should have particular interest in my work.

I look for specific dates where markets may change or accelerate their direction; direction being either positive (up), negative (down), or neutral (flat). Generally, the idea that an object in motion stays in motion until something acts against it holds for my analysis. I typically look for a handful of good trading opportunities each year, when specific markets are active.

Self- Promotional Material and Background:

Please share this commentary with people you think could benefit, and especially to those contacts you have that might have interest in availing themselves of my services for a fee.

My hope is that people who benefit from this commentary consider purchasing a subscription providing more regular access to my market commentaries. Please contact me to discuss how we might work together.

I have researched market cycles, price dynamics, and crowd psychology for many years, both during and after my full time work in institutional financial markets as a broker, pricing system designer, and banker. I have worked as a full time fundraiser for the past fourteen years. First at the University of Rochester and the Alzheimer's Association, and currently, for The Strong Museum of Play, an incredible history museum that is also one of the top family destinations in the country. The museum, like many

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non-profits across the country, is currently closed because of the virus, and my job continues to be in jeopardy if the health crisis goes on much longer.

Because of my uncertain employment future, and the enormous impact that the global health challenge has on both our financial and physical health, this market commentary will have a wider audience than usual in the hopes that it will be helpful to more people, and that more people see the value of my skills in forecasting financial markets so that it affords me with more opportunities to generate income.

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S&P 500:

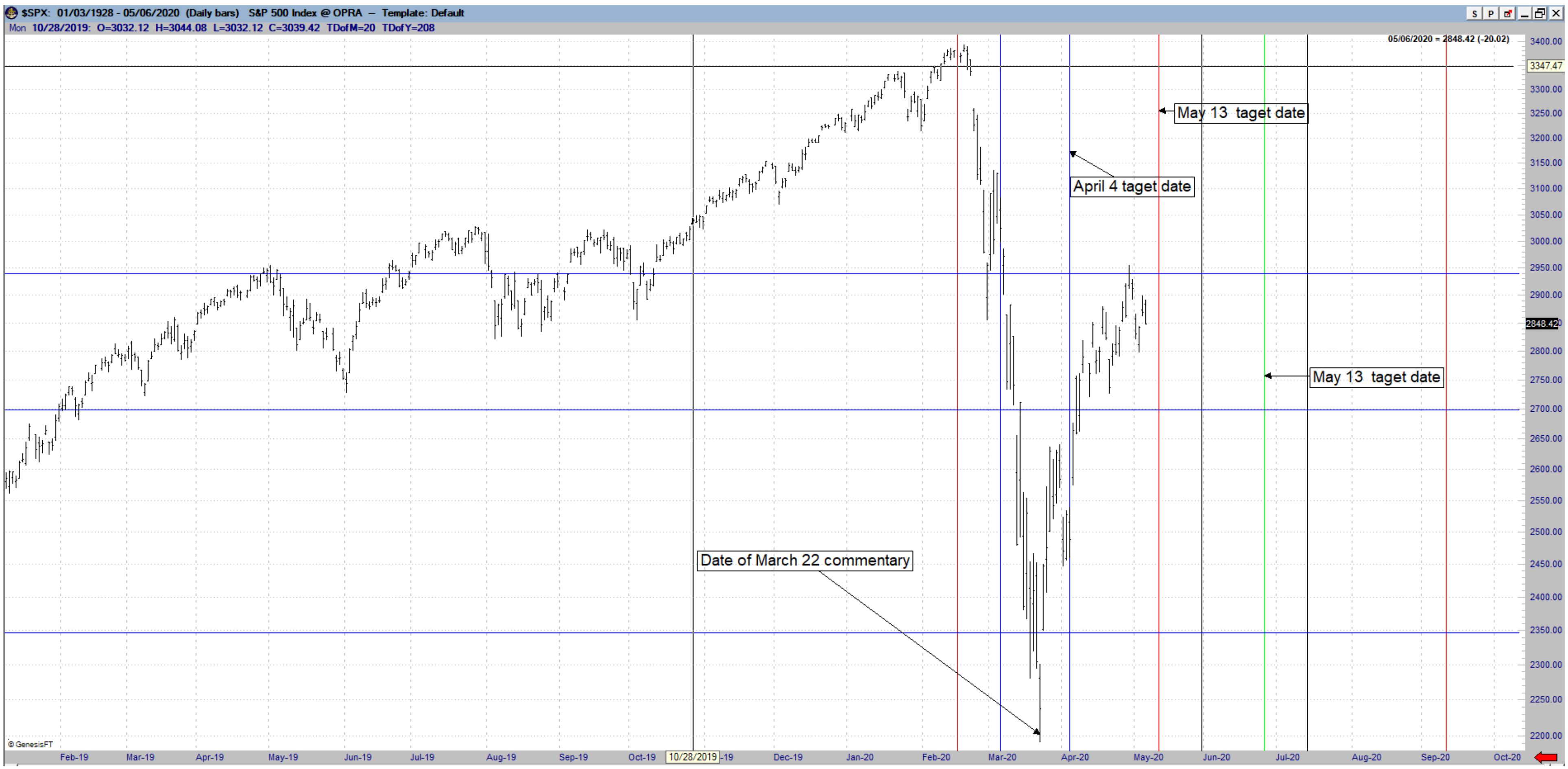

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Chart #1 from March 22, 2020 forecast with current prices and labels added (no changes were made to the vertical lines or price levels from the 12/22 forecast):