This rally off the newest Greek bailout is not healthy for the market

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The world's financiers blink (again) and the markets rally

Yesterday's news that the IMF, Eurozone finance ministers, and Greece agreed to another debt relief package gave the equity markets (^DJI, ^GSPC, ^IXIC, ^RUT) a reason to rally yesterday. For the bulls, this was a welcome respite in an otherwise moribund environment of the last two weeks. It's interesting to me how the market reaction to the Greek problem has changed over the years.

Back in 2013, any mention of Greece—either good or bad—would send stocks into a spasm of 2% to 3% up or down in a session. We still pay attention but now the market reacts to Greece's debt the way a chronically ill person manages his illness on a daily basis. The market knows it exists. The market knows it's a problem. But, the market doesn't think that it will kill it anymore.

The long list of problems associated with Greece's failed finances will probably not go away for another generation. As long as the market understands that the world's financiers are paying attention—and not behaving in an intransigent way—then this situation will have a vastly diminished influence over time.

Is this healthy behavioral conditioning for the market? I think not.

Governments and central banks have a long history of coming to the rescue of other governments and industries (with a few notorious examples in our country over the last eight years ... including most recently Puerto Rico), and Mr. Market now expects this to always be the case. So, when news of financial profligacy from another country comes about, the market shrugs it off and only waits for the bailout to commence.

But, what happens when the money runs out? I shudder to think.

Market posture. What now?

Yesterday's rally and the uptick today have done little to change my perspective on where the market is likely headed into the summer. Asset flows out of the long ETFs and into the short ETFs, along with other technically weak factors inside of the major indexes, indicate that the markets are not clear to make a run toward the all-time highs. The path of least resistance is downward—at least in the near term.

Moreover, after we get beyond the Memorial Day holiday, the market will really start to focus on the FOMC June meeting, the Brexit referendum vote and the chaotic political situation in the United States.

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Of the major indexes, the position and movement of the Russell 2000 and the NASDAQ composite still hold the keys to gauging market direction. While the rally the last two days has been interesting, it is still too early to say that we have broken from the consolidation pattern.

Until the either the RUT or the NAZ get back to April’s highs, all we can do is watch. So, while the movement in energy (XLE) or financials (XLF) will give a momentary lift to the markets, I will need to see a continued broad based rally on increasing volume to change my tune.