

Quote of the Week:

Well, this is a bull market, you know! - Old Turkey

Market Observations:

I continue to focus on stocks on the long side. This is the strongest and most stable trend I see, and it exists in major stock markets around the world. When I look at these markets, the opening quote comes to mind. If you are focused on larger trends, there are a few unpleasant days here and there, but the trend keeps on marching higher.

That said, equity markets are surprisingly challenging when you zoom in. For example, AI poster child Nvidia (NVDA) dropped around 10% quickly. Or market darling Costco (COST) got clobbered on earnings. While the statement I'm about to make might crumble under some form of quantitative scrutiny, this phenomenon of stocks experiencing gappy action despite the larger bull market feels prevalent. And the same goes for stock indexes when viewed on an intraday basis. All of this choppy action is making it difficult to trade LTTM style – reversals (that are brief but intense) are enough to get shaken out of positions.

This publication is named in honor of a [comment from Bruce Kovner](#):

Listen to the market. Close observation of price behavior is always necessary for the discipline of successful trading and it is very often very helpful in providing evidence about the nature of current conditions. If we can understand what the market is telling us, we will most likely be able to understand how to trade it. Listen to the market, hear it, don't tell it what to do. Listen.

As I think about this, it seems to me that the market is telling us that it is a good time to go with larger trends (long stocks) but that it is not a good time to try to pick single stocks/sectors and, due to some violent action that exists intraday, leverage isn't a great idea right now. Per my interpretation, the stock market is saying, "Hop on for the ride but don't use leverage and focus on the forest (broad indexes) not the trees (single stocks/sectors)."

Admin Note: I started a new publication which explores my views on retirement investing. Feel free to [sign up here](#).

Stock Market Indicators:

Trend: The trend in stocks is up.

Stock Volatility: Volatility has declined to levels that support owning stocks.

Interest Rates: Short-term rates are around 5% which is compelling to many. However, stocks put up a banner year in 2023 so the money market crowd is probably feeling some FOMO which could prompt buying on any stock market rally.

The Fed: The Fed is on hold pending incoming data on the economy and inflation. The latest change in policy was to stop raising rates which, all else equal, was a positive. Combining the two, I think current policy is neutral to slightly positive for stocks. You can find the latest FOMC release [here](#).

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