Quote of the Week:

There are periods of choppy markets when my style of investing is worse than useless. – George Soros

Market Observations:

As I look across markets in early 2024, the opening quote comes to mind. New calendar years often usher in regime changes but ~3 days is IMO a bit early to draw any strong conclusions. What I see so far is most markets have reversed a bit from late-December 2023 levels. With the benefit of hindsight, it looks like the end of 2023 was a bit of EOY rally brought on by euphoria, a desire to have good position marks for the calendar year, the Christmas spirit? Who knows.

Looking back about a year using weekly charts, I see a lot of erratic action and pretty wide ranges in many markets. For a trading principle focused trader such as myself (aka trend heavy), this isn't an ideal time. In addition to the Soros quote, in my mind I faintly hear Mrs. Lovett from Sweeney Todd bellowing, *"Times is hard, times is hard."* FWIW my grandmother was big on theater, so I got exposed when young. Seeing Sweeney Todd under age 10 can stick with you (or it did me). While on the topic, here's a fun piece of "inside" info: When I worked for Vic Niederhoffer musicals played day and night. Between my grandma and Vic, I know the lyrics to a lot of musicals. Moving along…

The two standouts so far for 2024 are nat gas (rallying) and corn (falling). After a massive selloff in 2022, nat gas has been moving sideways for the better part of a year. Looking back to the year 2000, I also see nat gas has rarely gone much below $2 for long. In theory, this offers opportunity. In practice, nat gas has a tendency to move so much percentage wise that it can be a challenge to trade especially considering roll premiums between monthly contracts. To me, long nat gas is one of those trades that is inevitable but practical implementation makes it almost impossible to capture unless you get really lucky on timing (kind of like betting on short term rates in the face of the realities of how rate futures contracts work – too much to share here).

Regarding corn, there is a market telling you something isn't great as evidenced by the fairly steady decline over the past year. Of course, as often happens with commodities, the larger decline in corn has experienced a few faith testing rallies. Point being, shorting markets (perhaps especially commodities) requires a strong stomach.

Regarding stocks and bonds, the rallies from the end of 2023 are fading a bit but I think it is too early to sound the alarm. We will see what happens in coming weeks.

Stock Market Indicators:

Trend: The trend in stocks is up.

Stock Volatility: Volatility has declined but is still slightly above ideal levels for 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 rally.

The Fed: The Fed has shifted the language a bit indicating policy will be on "wait and see" mode. While rate increases could resume, for now this is a positive change in favor of owning stocks. You can find the latest FOMC release here.

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