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Quote of the Week:

'Rome was not built in a day,' and no real movement of importance ends in one day or in one week. - Jesse Livermore

Market Observations:

We got another Fed release. Here is the latest language:

*Recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have moderated since early last year but remain strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated…**The Committee does not expect it will be appropriate to reduce the target range [aka rates] until it has gained greater confidence that inflation is moving sustainably toward 2 percent.***

While this doesn't deviate much from what the Fed has been saying (or at least my interpretation of what they've been saying), it does throw some water on the idea that the Fed is going to cut rates all year. I may never understand where people come up with their expectations regarding Fed action. To me, the Fed has been pretty clear that they're focused on inflation and they're not going to change course unless inflation gets to target, or the world blows up. Regardless, as a result of the new language, stocks took it on the chin. However, as I write, stocks are moving back up and they remain near all-time highs.

When I look at a broad cross section of markets, stocks are the only thing that really stand out. I could spend some time writing about other markets, but I don't see much point. I'm focused on stocks on the long side.

That said, I think it is a good time to focus on longer-term trend following in stocks (with no leverage) versus trading. Earnings-related moves in single stocks continue to be a bit erratic which makes it tough to trade.

For whatever it is worth as it relates to trading single stocks, I've noticed that the disciples of Bill O'Neil (DoBO) like to let the world know when things are going well. Their preferred medium is X (Twitter). When things aren't going well, I find they are either quiet or they focus on "selling" self-help/motivation. While this isn't really quantifiable in any robust way, it is something I watch as it relates to whether the environment is conducive to trading single stocks or not. Right now, they're either quiet or they're focused on motivation. Food for thought.

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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