

**Quote of the Week:**

*The trend is your friend. - Richard Dennis*

**Market Observations:**

Another short-lived pullback in stock indexes in April is followed by an aggressive rally. As the opening quote says, the trend is your friend. If I could only have one piece of information to use in trading/investing, it would be the long-term trend (well, maybe stop losses first but I'm not sure I consider those information). Fight the long-term trend at your own peril.

While the defensive segments (utilities, staples, etc.) of the stock market continue to do well of late, a few other less defensive segments have gained ground meaning the "internals" of the stock market (which Stan Druckenmiller calls the best economist he knows) are sending a more positive message as compare with last week. Two industries do stand out for their strength: financials and copper.

I'm not sure what the story is with financials, but I notice they are moving back up across the board after some less-than-ideal earnings (i.e. JPM). Regarding copper, the story there is that electrification/net zero is going to take a lot of copper to make viable (charging stations, etc.). The copper story isn't new but copper futures and most copper stocks (FCX, TECK, etc.) are rising together and it usually pays to pay attention when commodity stocks and the actual commodities (or futures on the commodities) move together.

Meanwhile the number of single stocks experiencing new 52-week highs is growing which is also positive. All-in-all, things are looking better for stocks.

Once again, sticking to the long-term trend in stocks while ignoring everything else has been a good strategy. Of course, it hasn't been such smooth sailing for faster traders (at least as LTTM does it) since abrupt pullbacks like the one in April continue to lead to being stopped out. But this is the way it goes – you design your approach to capture a specific phenomenon and know it cannot be or do everything.

If you prioritize defense, you cannot totally ignore moves like in April since we can only see in hindsight that it was a short-lived pullback. If you prioritize offense, you overlook April but, when a month like April isn't followed with an aggressive rally, you tend to take it on the chin.

Clarify what you're trying to capture. Accept you cannot have it every which way. Align all of this with your own temperament and proceed accordingly. 20+ years in, this is the best advice I think I could give anyone re investing. But, since it is theoretical, it probably doesn't have much "street value".

Outside of the stock market, I notice bonds are moving back up a bit (rates are moving down). But the recent moves are but a blip in the context of the long-term downtrend in bonds.

Gold and silver are pretty quiet after April moves.

Mostly things are quiet on the macro front – at least through my eyes.

### **Stock Market Indicators:**

**Trend:** The long-term trend in stocks is up.

**Stock Volatility:** Despite April, volatility remains conducive to owning stocks.

**Interest Rates:** Short-term rates are around 5% which might be looking not-too-bad to the masses after the April/May combo.

**The Fed:** The Fed continues to focus on fighting inflation which, all else equal, isn't great for stocks.

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