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Quote of the Week:

I don't need a million charts or thousands of pieces of fundamental data to tell me that Microsoft's cloud business is booming - the trend [in the stock price] is telling me. It's telling you too. - Larry Hite

Market Observations:

This week, I saw something in the Financial Times about NVDA and how their revenues are coming from startups that NVDA funded. The idea is that NVDA's growth isn't organic and thus the company is in trouble. In days of old, I'd have likely seen this and become bearish on NVDA. I might have even tried to go short. But not nowadays. In fact, when a stock rises in the face of incredulous masses touting compelling narratives, I tend to prefer to go long.

Similarly, I see a lot of press on the magnificent 7 and how, if you remove the 7, things aren't so great in the stock market. Once again, at face value, it seems like the stock market is primed for trouble. As with NVDA, in days of old, I'd have likely seen this and become bearish. Thankfully, these are not days of old. Nowadays, I pay the most attention to what the markets are saying via prices and when I look at a lot of markets, stocks continue to be the standout on the long side (or any side for that matter). As I think about all of this, the opening quote is on my mind.

In all likelihood, NVDA will eventually get clobbered. Similarly, no single stocks have ever remained darlings forever. I imagine 50 years from now people will read about the mag 7 much like I read about railroad stocks from the early 1900s. Who knows, perhaps as soon as I publish this article these stocks will start falling and will never make new highs again. Anything can and will happen in markets. But right now, stocks keep rising and they're acting like a ball in water – they keep coming back to the surface despite all efforts to make them sink. And they do so while scary narratives swirl. I've long since learned to follow prices not narratives (if the goal is to make money in markets) and I plan to do just that. Should things take a turn for the worse, I will cut my losses. In the meantime, I'm happily long stocks and I'm enjoying watching them continue to rise in the face of often disbelieving masses.

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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