

Quote of the Week:

In my opinion, the primary factor in securing market profits lies in sensing the general trend. – Gerald Loeb

Market Observations:

I'm focused on the stock market which keeps marching higher. All three major indexes that I watch (SPY, QQQ, DIA) have now made new all-time highs. When a market makes a new all-time high it is a clear message – the trend is up.

A look at the “internals” (aka sectors/industries) of the stock market shows that more sectors are turning positive. Last week, it was only really the defensive sectors that were in the black YTD. Having more sectors turn up is a positive thing.

After 20+ years of doing this, I've come to the conclusion that, when stocks are working on the long side, it pays to focus on stocks versus wasting time with other markets. Go where the wind is at your back. With that in mind, some \$500 billion or more flows into stocks and bonds each year by virtue of modern retirement investing protocols (wealth mgmt. industry, etc.) and, with what happened to bonds in 2022, more of that money is going to stocks. Of course, we need to keep in mind that the secret to not getting bludgeoned in markets is to use stops. But things are looking pretty AOK right now.

If you read a lot of material from market legends over the years most of them advocate in favor of trading with the long-term trend. They also often say that the big money is made by catching the big moves. This compares with trying to capture all the wiggles and waggles. In fairness, I'm not sure all the people who say this actually practice what they preach, but I think they realize that they should. As I think back on the past few months and years, I keep coming back to this idea of sticking with the long-term trend. It isn't easy but it is probably the right thing to do. It certainly shows up often enough in trading literature to be hard to ignore.

Interestingly, to me at least, it is actually a challenging trading environment. Despite the larger trend in stocks, price action in stocks is fairly choppy when zooming in. My conclusion is that, to the extent you want to trade, you should probably marry trading with slower trend following since slow trend following will participate in major trends where trading might not depending on how you peel the onion. 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 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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