Tri∆ngulated
Research, LLC
Listen to the Markets 2.18.2024
www.triinv.com info@triinv.com

Quote of the Week:

...it is not good to be too curious about all the reasons behind price movements. You risk the danger of clouding your mind with non-essentials. Just recognize that the movement is there and take advantage of it by steering your speculative ship along with the tide. - Jesse Livermore

Market Observations:

Per this week's CPI (inflation) report, inflation was higher than expected. In terms of what this practically means, per their latest FOMC meeting, the Fed remains focused on bringing down inflation unless or until economic troubles take center stage. Given the economic situation is currently AOK while inflation remains above target, the Fed is likely going to keep rates higher for longer than expected which goes against rate cut expectations that existed as we entered 2024.

Stocks responded to the CPI report with one of their worst days in months. Bonds too sold off pretty aggressively. The US dollar rallied at the expense of most non-US currencies. Metals also sold off. Combining the CPI news with the message from markets, inflation and Fed policy continue to matter.

That said, stocks are still in a clear uptrend and, as I write, they're moving back up. Conversely, despite the big rally in 4Q2023, bonds are still in a downtrend. With the benefit of hindsight, it looks like the move up in bonds (down in rates) into the end of 2023 was either end of year profit taking by shorts or positioning in line with rate cut expectations which are not manifesting. Either way, the larger trend in bonds is down and recent history has hammered home what happens to those who fight the long-term trend.

In general, rising rates are not good for stocks so the continued rise in stocks is a bit of head scratcher when viewed through the lens of rates and logic. However, the last few years have been pretty unpleasant for those holding bonds. The TLT ETF is down 48% from 2020 highs. IEF is down 24%. AGG is down 18%. I wonder if these bond losses are motivating investors and wealth managers to shift capital to stocks in lieu of bonds.

Ultimately, all of my pontificating above provides for intellectual stimulation but gets away from what matters if the goal is making money. If you want to make money, follow price trends, stick with winning positions, and cut losing positions. Follow the advice of Livermore in the opening quote. When I zoom out, and despite the CPI action, I continue to want to be long stocks.

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.

For specific financial advice/money management services: tricapm.com
Learn about LTTM or Sign Up (It's free): lttm.substack.com
Learn more about trading principles: traderprinciples.com
Triangulated Research Legal: triinv.com/legal-1