

Quote of the Week:

I called in just around the time that all this was happening and found out that I was out \$2.5 million in about five minutes. So I got out, rather than see the \$2.5 million loss go to \$10 million. Then I had to endure the disturbing experience of watching the market recover its entire fall. – Michael Marcus

Market Observations:

The situation with Iran and Israel was the key driver of markets last week and early this week. Stocks sold off hard into last weekend while gold and silver rallied. Then, on Monday, gold and silver reversed aggressively and stocks have been bouncing.

The message from these markets seems pretty clear to me: people were afraid of what an escalation of the conflict over the weekend might mean for markets and adjusted their portfolios accordingly. When the situation didn't result in WW3, the weekend war premium came out of gold and silver and money felt safe going back into stocks.

That said, volatility is rising in most markets. 5 and 10% wiggles and waggles are not surprising. And while the ranges are a bit more tame in currencies and bonds, this action is happening almost everywhere I look.

In recent weeks I've been talking about tactical allocations and faster trading and how they have different goals and different methods. As regards faster trading LTTM style, the only thing that looks mildly appealing is the Japanese yen on the short side as it continues to fall in an orderly fashion. However, all of the chop elsewhere has me feeling much safer waiting in cash.

Regarding tactical allocations, last week's pullback resulted in some reduction of positions but the long-term trend in stocks is still up and I continue to handle tactical allocations accordingly. At the moment, the reduction in positions has me thinking of the opening quote. When annoying things happen in markets, I always find solace in the realization that greater traders than I have suffered the same and that, over time as evidenced by their successes and my own results, good process wins out.

We shall see what the next week brings.

Stock Market Indicators:

Trend: Despite recent action, the trend in stocks is up.

Stock Volatility: While it has increased recently, volatility levels are still conducive to owning stocks.

Interest Rates: Short-term rates are around 5% which is compelling to many. With stocks experiencing a little unpleasant action, I wonder if the masses will start looking more favorably at T-bills.

The Fed: The Fed is on hold pending incoming data on the economy and inflation. The latest inflation data leads me to believe hikes are more likely than cuts which, all else equal, isn't great for owning stocks. You can find the latest FOMC release [here](#).

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