Bloodbath

Last week I discussed the stealth crisis impacting emerging economies and major international markets.

This week, that crisis hit home, with U.S. markets taking a beating.

Many stocks were already in bear markets coming into this week. I highlighted this fact a few weeks ago with a chart that showed the Nasdaq was already in deep bear territory when eliminating just the five biggest companies in the index.

Now, sellers have come after even the biggest stocks. Nothing has been safe. I noted that there would already be tremendous losses by the time they came for Apple, Microsoft, and Netflix. Well, speculators have come after Apple, Microsoft, and Netflix, and there are enormous losses.

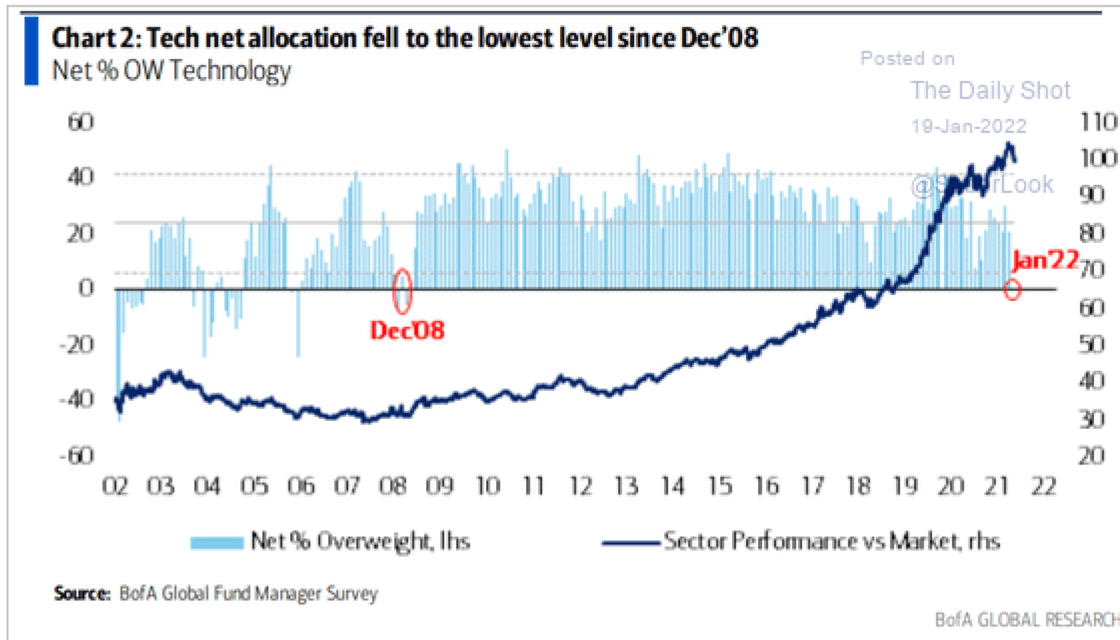
Institutional investors are fleeing technology stocks. For years, technology stocks represented a core holding for funds. That has changed.

If you did not own the most prominent technology stocks in the last year, chances are you had a crappy year. Fortunately, that was not the case for the strategies in this newsletter which outperformed their benchmarks and a vast majority of funds in their category.

Professional investors cannot be caught owning a bunch of stinkers at the end of the year. They don't want to show their clients that they invested in a bunch of stocks that cratered. So, fund managers dump those stocks.

Now, investment managers are underweight technology stocks. Since most people are wrong most of the time, it is becoming a contrarian play to own technology stocks.

Look at this chart. Investment managers have their lowest allocation to technology stocks since 2008!



That makes me bullish on technology stocks once all this selling pressure goes away.

Could the selling from here get worse?

Yes, it could.

For one, there could be a major conflict in Europe. The tensions between Russia and Ukraine grow by the day. The reaction to a Russian invasion could also encourage China to move against Taiwan. Imagine if both attacks were coordinated to happen after the Olympics? That would be a real doozy.

Meanwhile, while war tensions ramp up in Europe and Asia, the big news in the U.S. this week is that Mars, Inc., the maker of M&M's, has redesigned the candies to reflect a more "dynamic, progressive world."

Gone are the go-go boots for the green M&M, replaced with sneakers to reflect her "effortless confidence."

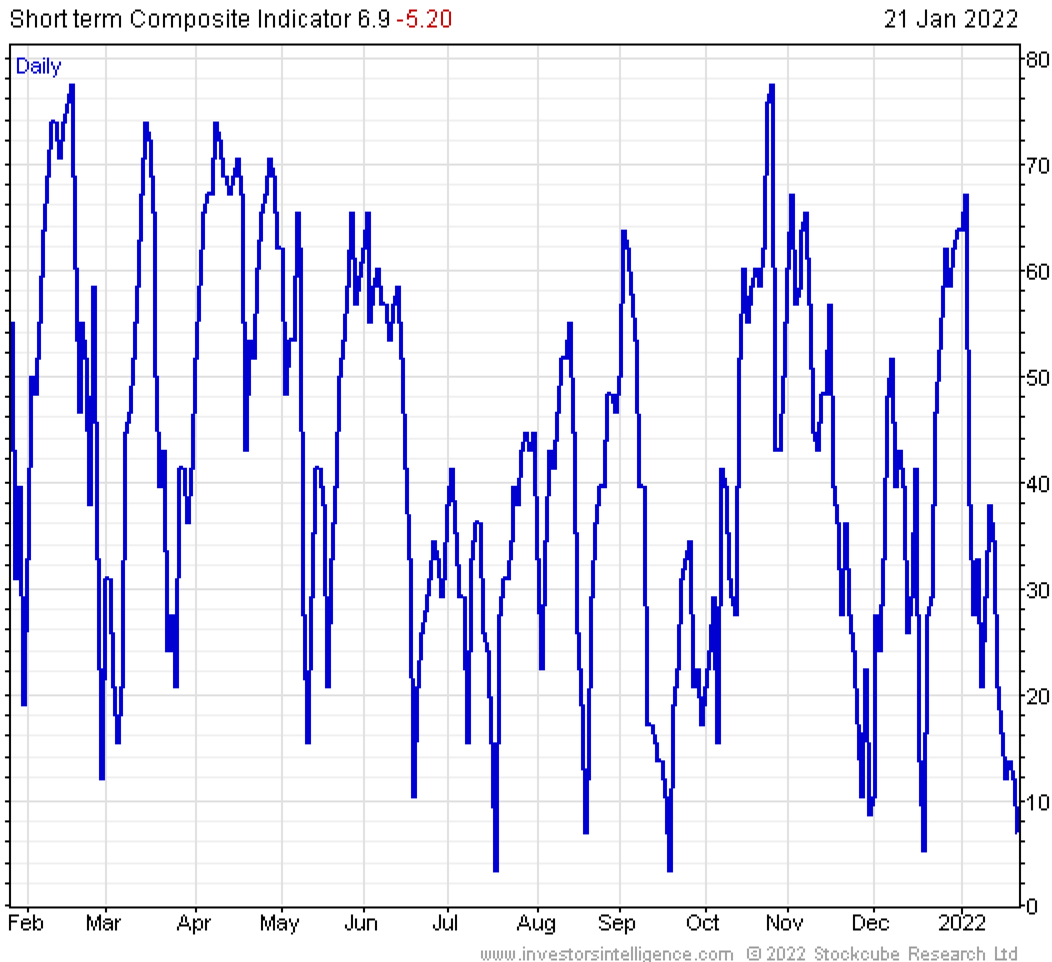
Green M&M's were always my favorite. I'll miss her go-go boots!

The world could be on the brink of war, and M&M's were a top story. We live in a strange time.

The market is oversold, though. Expect a bounce. That does not mean it's an outright buy. The biggest rallies occur in *bear* markets, not bull markets.

Here is a chart of my favorite short-term indicator. The *Short-Term Composite*, courtesy of Investors Intelligence, measures dozens of short-term and intermediate-term technical factors to develop an overall rating. Currently, the indicator stands at 6.9.

A reading of 6.9 indicates a deeply oversold market. Expect a bounce. If global tensions ease off a bit, there could be a substantial bounce. The market is very pressed right here.



That said, the *Risk-O-Meter* is now back on a “sell” signal. Risks have increased. The last two signals have led to losses after a huge run after the COVID smash. The back and forth losses are called whipsaws. Whipsaws are part of the trading game.

The ideal situation for the *Risk-O-Meter* and big payoffs is when a sell signal comes, and the market is overbought. For example, just before COVID hit, this was the situation.

On the flip side, the ideal buy signal would be when the market is deeply oversold, which happened shortly after the COVID smash.

Now, we have some back and forth. As I use the *Risk-O-Meter* as a guide, I am inclined not to add to stocks right here. While stocks could bounce, and the odds favor a bounce, that doesn’t mean they won’t quickly turn back down in a nasty manner.

I’m not selling anything here either. I plan to sit on my hands in this oversold market for now.

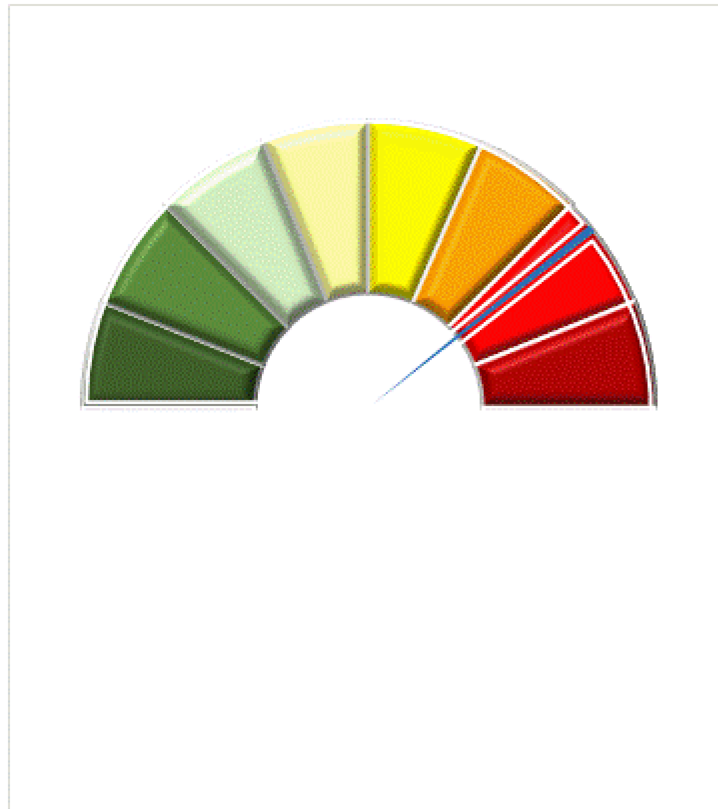
The problem with *Risk-O-Meter* is that while I find it a helpful guide, there's no specific portfolio attached to it. It measures risk.

That problem is solved.

I have created an investable version of the *Risk-O-Meter*. It tells you what to invest in based on the risks associated with market trends, volatility, credit markets, and sentiment.

I am *very* excited about this research.

Stay tuned for next week when I share my research with you.



DISCLAIMER:

THIS COMMUNICATION IS FOR EDUCATIONAL AND INFORMATION PURPOSES AND DOES NOT CONSTITUTE INVESTMENT ADVICE. *Any Publishing Service offered by HSD Publishing is for educational and informational purposes only and* ***should NOT be construed as a securities-related offer of solicitation or be relied upon as personalized investment advice.*** *HSD Publishing strongly recommends that you consult a licensed or registered professional before making any investment decision.*

THE RESULTS PRESENTED ARE NOT TYPICAL OR VERIFIED. *HSD Publishing has not verified information regarding the historical trading performance presented. Subscribers' trading results have* ***NOT been tracked or verified,*** *past performance is not necessarily indicative of future results,* ***and the results presented in this communication are NOT TYPICAL.*** *Actual results will vary widely given a variety of factors, such as experience, skill, risk mitigation practices, market dynamics, and the amount of capital deployed. Investing in securities is speculative and carries a high degree of risk; you may lose some, all, or possibly more than your original investment.*

HS DENT IS NOT AN INVESTMENT ADVISOR NOR A REGISTERED BROKER. *Neither HSD Publishing nor any of its owners or employees is registered as a securities broker-dealer, broker, investment advisor (IA), or I.A. representative with the U.S. Securities and Exchange Commission, any state securities or regulatory authority, or any self-regulatory organization.*

WE MAY HOLD THE SECURITIES DISCUSSED. *HSD Publishing has not been paid directly or indirectly by the issuer of any security mentioned in the Services. However, HS Dent, its owners, and its employees may purchase, sell, or hold long or short positions in securities of the companies mentioned in this and future communications.*

John Del Vecchio is not an employee or partner of HSD Publishing. HSD Publishing is acting solely as the marketing arm for John Del Vecchio and Unbounded Wealth: Max Profits.

© 2021 HSD PUBLISHING. ALL RIGHTS RESERVED. 15016 Mountain Creek Trail Frisco, TX 77573.