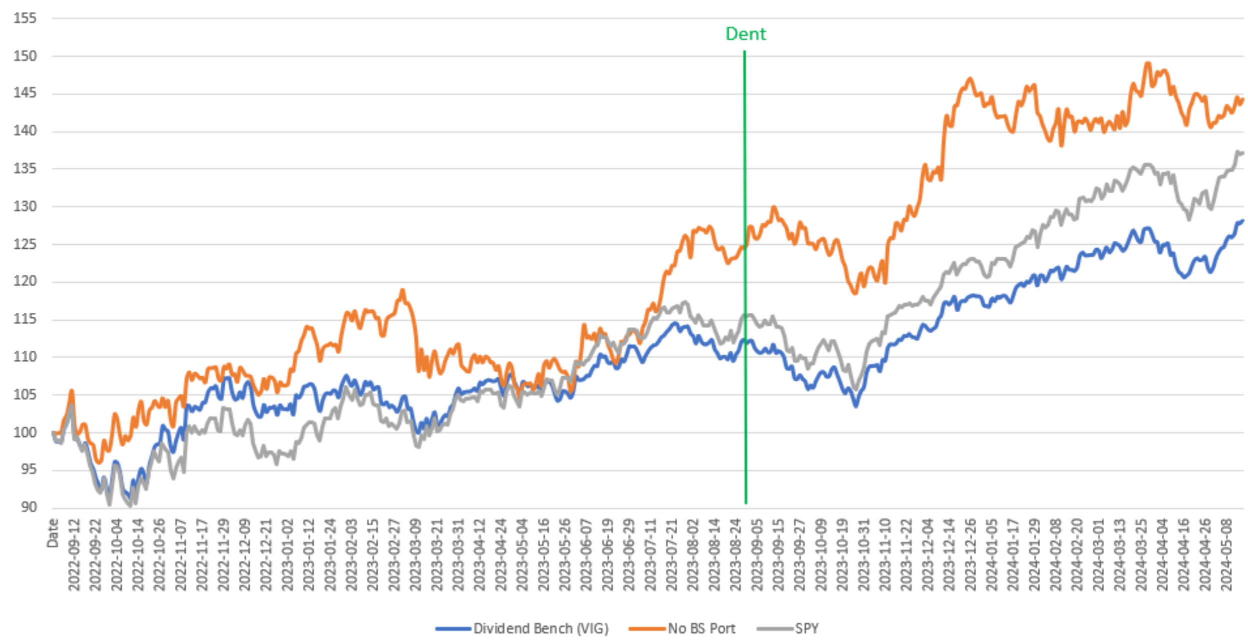
May 20, 2024

The NO BS Growth and Income Portfolio

By John Del Vecchio



New Trades this week:

Buy Consumers Bancorp. (OTC: CBKM)

Sell ENB Financial (OTC: ENBP)

Still only 9 positions. The 10th spot remains in cash

Current Portfolio May 19, 2024

Ticker	Name	Return	Days Held	Sector
BURCA	Burnham Holdings, Inc.	-1.95%	39	Industrials
CBKM	Consumers Bancorp, Inc.	0.00%	NEW	Finance
FUSB	First US Bancshares, Inc.	7.88%	46	Finance
MCEM	The Monarch Cement Co.	32.86%	249	Non-Energy Materials
PSX	Phillips 66	56.53%	375	Energy
RSKIA	George Risk Industries, Inc.	2.88%	11	Technology
THFF	First Financial Corp. (Indiana)	16.86%	353	Finance
VLO	Valero Energy Corp.	28.53%	214	Energy
WEYS	Weyco Group, Inc.	22.71%	186	Consumer Cyclicals
CASH	CASH	CASH	CASH	CASH

From Overbought To…

More overbought.

That is what happened last week.

Last week, I highlighted the fact that the market was overbought.

More importantly, one of my favorite indicators, the *Short-Term Composite* from *Investors Intelligence*, was a shade under 70.

I *know* that, at 70, historically, stock returns have been **negative**.

As a result, I am not interested in buying stocks at that level.

What happened?

The market became ever more overbought!

Now, the indicator sits at 75.

A 75 reading represents nosebleed levels.

Bob Uecker seats!

Way up there!

I usually would not harp on one indicator two weeks in a row.

Especially an indicator that is not of my own design out of respect for others' intellectual property.

However, there is an important lesson to share.

Just because the odds favor one thing, or another, *does not* mean it will happen.

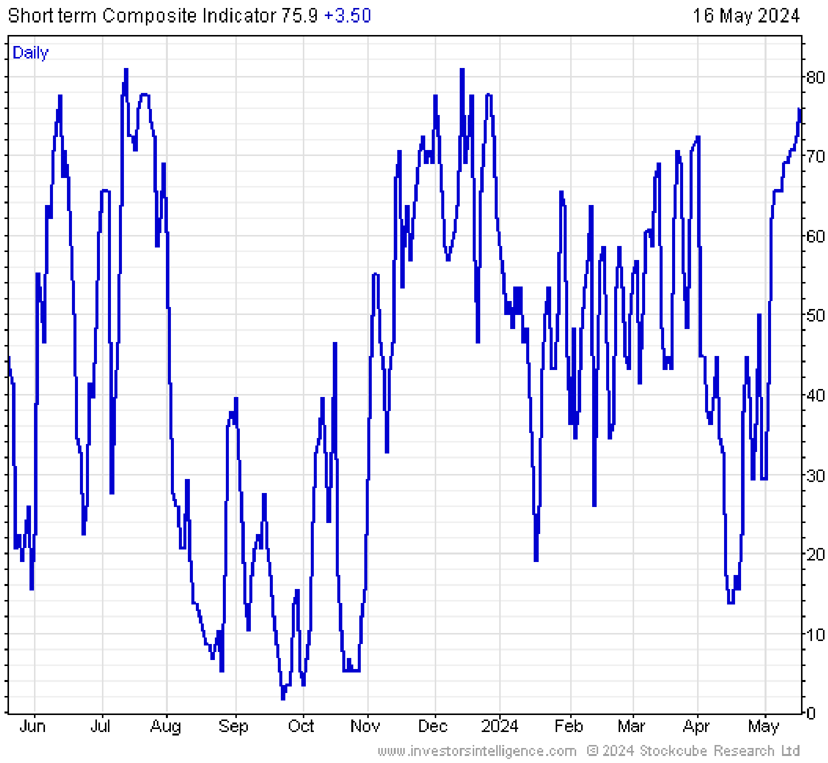
At least, not right away.

<u>No one</u> can time every squiggle in the stock market.

Least of all newsletter writers!

Sometimes, what goes up, goes up even more, even if the odds do not favor it.

That said, even though the indicator is at 75, the odds still favor that **all** the recent gains, **and then some**, will be lost *before* the market becomes oversold.



And the market will get oversold.

At some point!

When?

No one knows!

Least of all newsletter writers.

All we can do is manage risk and go with the flow.

Right now, the market moves are driven by interest rate expectations.

Inflation readings came in hot last week.

Yet, the market rallied.

Expectations are *still* for rate cuts this year.

I am skeptical, but the market doesn't care about my opinions.

As the old saying goes, "opinions are like assholes…everyone has one."

And everyone has opinions on interest rates.

Those opinions are all over the place!

Take Kevin O'Leary of *Shark Tank* fame. Here's a recent quote I read on *Yahoo!*

"They're not going to cut rates. I don't think they're going to cut rates again this year. I think people should get used to the idea [that] they'll stay where they are longer."

Then you have Black Rock's chief bond strategist, Rick Reider.

"I'm not certain that raising interest rates actually brings down inflation. In fact, I would lay out an argument that actually, if you cut interest rates, you bring down inflation," Rieder told *Bloomberg TV*.

He argues that middle-to-high-income earners benefit from higher interest rates because they benefit from interest payments.

As a result, that could raise pending as those consumers have more cash on hand.

I am skeptical of Reider's argument because it doesn't hold water from past cycles where rates were even higher.

You know, the good old days.

Back when rates were "normal," if you were in Econ 101 class and suggested rates could be zero, you'd get flunked out of class.

Rates did go to zero.

Reider could be right.

He *is* the chief bond strategist of the largest asset manager in the world, and I am *not*.

So, he has that going for him.

Another skeptic is Jamie Dimon, head of JP Morgan.

I would bet Dimon has the best information of anyone.

Anywhere.

In the world.

As Dimon told *Bloomberg TV*, "There are a lot of inflationary forces in front of us."

"The underlying inflation may not go away the way people expect it to."

No matter what, we should expect a wild ride ahead of us.

Markets go from overbought to oversold.

Something, somewhere, will come out of left field and scare the shit out of people.

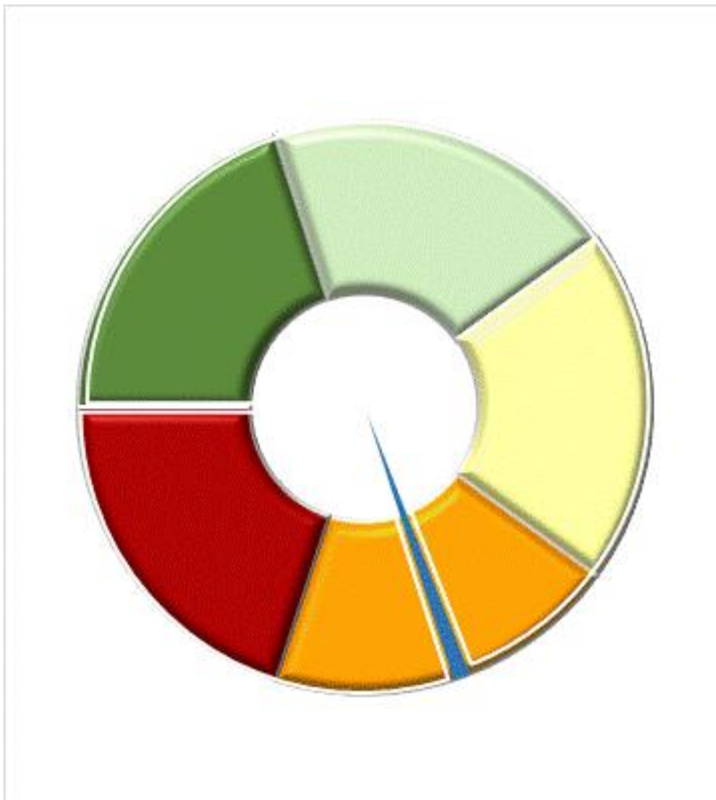
Then, they will dump stocks.

Inflation expectations change.

Human nature does not.

When the masses dump stocks, we will see the whites of their eyes and pounce.

It is just not today.



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