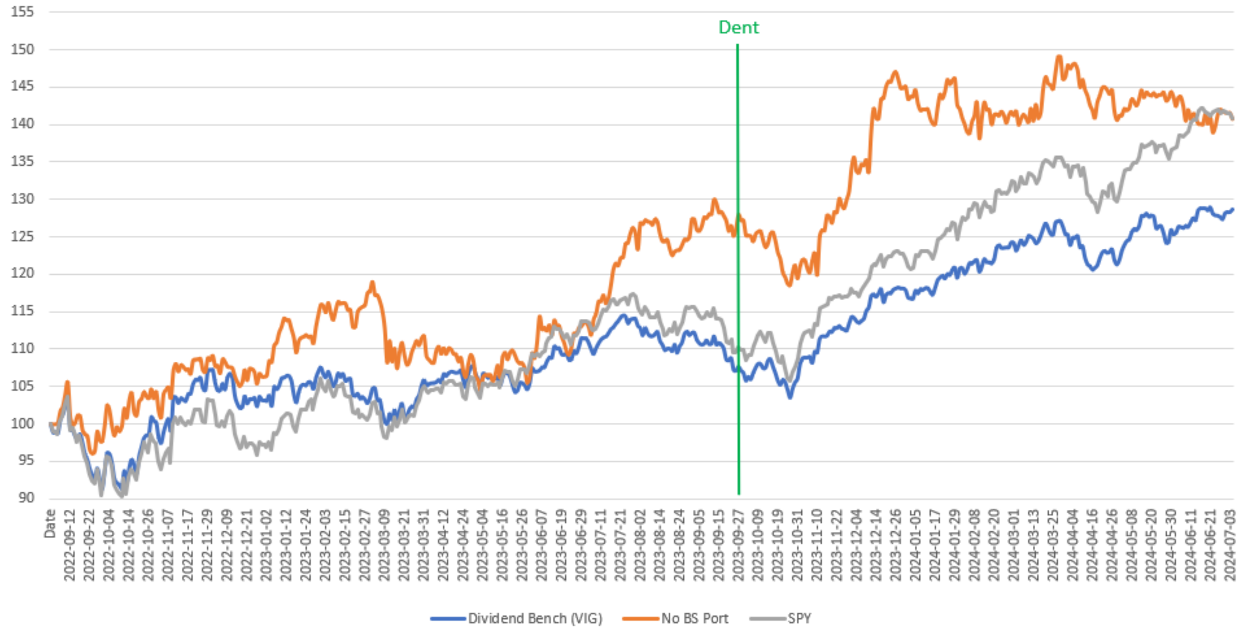
July 8, 2024

The NO BS Growth and Income Portfolio

By John Del Vecchio



New Trades this week:

No Trades

Current Portfolio July 8, 2024

Ticker	Name	Return	Days Held	Sector
ADM	Archer-Daniels-Midland Co.	0.02%	11	Consumer Non-Cyclicals
BURCA	Burnham Holdings, Inc.	-1.56%	88	Industrials
CBFV	CB Financial Services, Inc.	6.08%	11	Finance
CBKM	Consumers Bancorp, Inc.	-4.24%	46	Finance
CGEAF	Cogeco Communications, Inc.	6.67%	11	Telecommunications
FUSB	First US Bancshares, Inc.	1.16%	95	Finance
MCEM	The Monarch Cement Co.	36.42%	298	Non-Energy Materials
RSKIA	George Risk Industries, Inc.	2.48%	60	Technology
THFF	First Financial Corp. (Indiana)	6.26%	402	Finance
WEYS	Weyco Group, Inc.	14.30%	235	Consumer Cyclicals

The Nvidia Effect Part 2

Last week, I talked about how Nvidia is ***the*** driver of index returns in 2024, and if you don't own the stock (either directly or through owning the major indexes), your equity holdings will be lagging in 2024.

Here's a good chart that came across my email inbox that clearly illustrates the move Nvidia stock has made.

If you covered up the name and ticker symbol, tacked the chart to a wall five feet away, and stared at it, you could only come to one conclusion.

This stock is in a **massive** uptrend.

Yes, there's been a minor pullback recently.

Minor.

Add the fact that Nvidia was already one of the biggest companies in market-cap-weighted indexes, and it's no surprise that the stock's performance accounts for nearly 40% of 2024's S&P 500 returns.

What about the rest of the market?

Not so good.

That weakness is being covered up mainly by the move in Nvidia stock.

Let's look at a fascinating chart from *SentimenTrader.com* that illustrates the weakness in the market.

Here are the conditions.

The Nasdaq hits a 3-year high.

That's good!

Hooray!

But…

Less than 40% of the stocks were up when the index hit that 3-year high.

Not good!

Boo!

And then…

There were more new lows than new highs!

When the market hit a new high!

That's *really* not good!

<u>That's not a healthy market.</u>

There's no way to rationalize it.

At new highs, you want to see lots of stocks participate.

You surely don't want to see more stocks hitting new lows than highs.

Yuck.

Nasdaq Composite after 3-year high with < 40% up issues and NH < NL

Dates of 6 Signals	1 Week Later (%)	2 Weeks Later (%)	1 Month Later (%)	2 Months Later (%)	3 Months Later (%)	6 Months Later (%)	12 Months Later (%)
1999-04-06	0.8	-6.0	-1.1	-3.3	6.8	9.1	64.8
2015-07-20	-3.4	-2.0	-3.1	-6.2	-6.4	-14.2	-3.5
2021-11-18	-3.1	-5.7	-6.3	-11.5	-15.3	-29.0	-30.3
2021-11-19	-1.7	-5.2	-4.5	-14.3	-16.7	-28.2	-31.3
2024-06-13	0.1	0.4					
2024-06-14	-1.1	1.1					
2024-07-01							
Mean	**-1.4**	**-2.9**	**-3.7**	**-8.8**	**-7.9**	**-15.6**	**-0.1**
Median	**-1.4**	**-3.6**	**-3.8**	**-8.9**	**-10.8**	**-21.2**	**-16.9**
% Positive	**33%**	**33%**	**0%**	**0%**	**25%**	**25%**	**25%**
Avg Max Loss	-2.0	-4.3	-6.3	-12.0	-13.9	-20.2	-24.5
Avg Max Gain	0.6	0.7	1.0	1.0	1.8	3.3	24.3
Z-Score	-2.3	-3.1	-4.2	-4.3	-2.5	-3.0	-1.2

 Numbers are % return after signal; Risk = avg max loss; Reward = avg max gain; Z-Score +/- 2 suggests significance.

Across most periods, forward returns are negative.

As you can see on the chart, there's lots of red.

Lots of blood.

1999 was an outlier, but it was during the Internet Bubble.

Of course, today, we are in the Artificial Intelligence Bubble.

Nvidia is a critical player in the artificial intelligence space.

While forward returns show plenty of losses when conditions are met, **that does not mean the market will crash.**

No one knows what's going to happen!

However, it does mean that if you think about risk as a spectrum, we are clearly at the higher risk end of the spectrum.

We need to tread cautiously here.

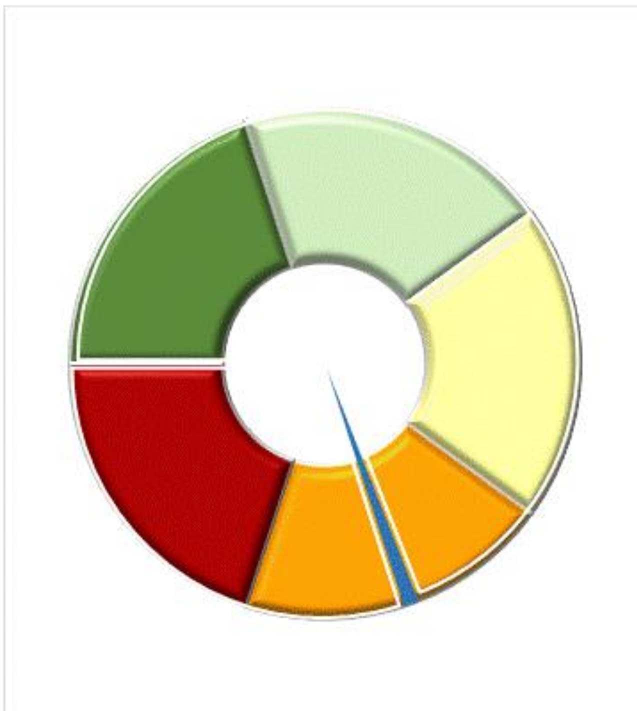
For me, that means building my war chest to make lower-risk bets in the future.

There will be a time when the risk spectrum swings hard to the other side.

It *always* does.

Meanwhile, I have plenty of investments in indexes, and I will participate if the market goes higher.

If the market dips and the average investor starts to get scared, I have the firepower to swoop in and kindly take those shares off their hands.



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