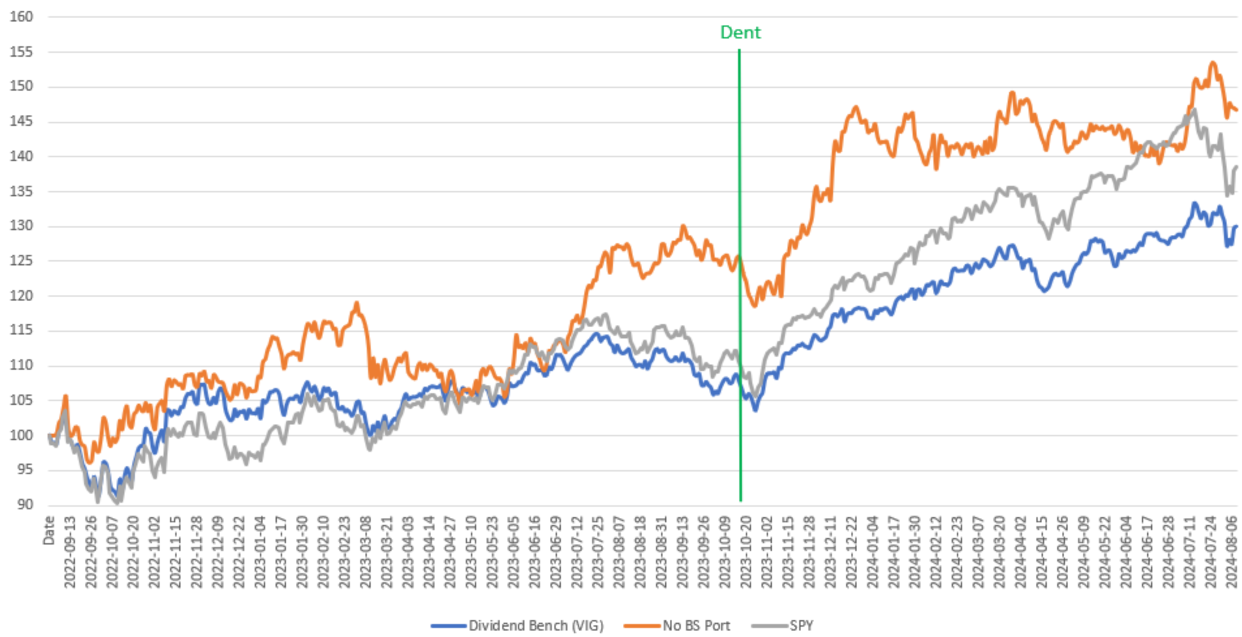
August 19, 2024

The NO BS Growth and Income Portfolio

By John Del Vecchio



No Trades This Week

Current Portfolio August 19, 2024

Ticker	Name	Return	Days Held	Sector
CBKM	Consumers Bancorp, Inc.	2.24%	88	Finance
CGECF	Cogeco, Inc.	-2.15%	11	Telecommunications
EFIN	Eastern Michigan Financial Corp.	0.56%	21	Finance
FMC	FMC Corp.	1.62%	11	Non-Energy Materials
FUSB	First US Bancshares, Inc.	12.16%	137	Finance
HY	Hyster-Yale, Inc.	-0.50%	4	Industrials
MCEM	The Monarch Cement Co.	31.43%	340	Non-Energy Materials
RSKIA	George Risk Industries, Inc.	22.10%	102	Technology
SUN	Sunoco LP	6.04%	4	Energy
WKC	World Kinect Corp.	4.32%	11	Energy

Modest Nibbling

A few days after the early August market smash, I bought a bit for my taxable account.

However, I only purchased about half of what I intended to, as the market has risen consistently since then.

Years ago, when I managed a hedge fund, I subscribed to an institutional research product called *Lowry's*.

Lowry's has been around for decades. I wouldn't be surprised if it's been around for 100 years.

Lowry's focus is on technical indicators, which, as a balance sheet reader myself, I found helpful because, at the time, technical indicators were not in my wheelhouse.

Based on their research, which dates back a hundred years before they started, it's quite common for the market to rise for about seven days *after* a big smash.

So, what we are witnessing isn't out of the ordinary.

It's to be expected.

The question from here is what happens next.

No one knows.

So, we can only play the odds.

I would not be surprised to see a pullback and a test of the index levels that occurred with the smash.

However, that may not occur.

If the market does not move back to those levels and does not become oversold again in the next week, I will cease buying and return the funds to my money market account.

There surely will be times in the future for aggressive buying.

One key point worth noting, however, is that this rally has been on light volume.

Not a lot of aggressive buying.

That's a red flag.

Here's a chart sent to me by a friend.

Notice the market has risen but the volume has fallen.

That's a bearish divergence and worth keeping an eye on.

Here's an approximate breakdown of the purchases as a total of the funds allocated to new trades.

Schwab Small-Cap ETF (SCHA) – 50%

Schwab Broad Market ETF (SCHB) – 25%

Schwab Emerging Market ETF (SCHE) – 25%

Long-time readers of my newsletters know that I believe the gap between small-caps and large-caps in the U.S. will close.

I do not know when.

But it has to be this way.

It always is.

Eventually, the gap will close because the spread between small-caps and large-caps becomes so vast that "value" buyers come in and start buying the unloved asset class.

That's small-caps.

The gap has been widening for a couple of decades.

And, of course, we know that about seven companies dominate U.S. large caps.

That will change, too.

It always does.

The same is true with emerging markets in that the asset class has lagged badly.

U.S. large-caps have been one of the best-performing asset classes you can own for years.

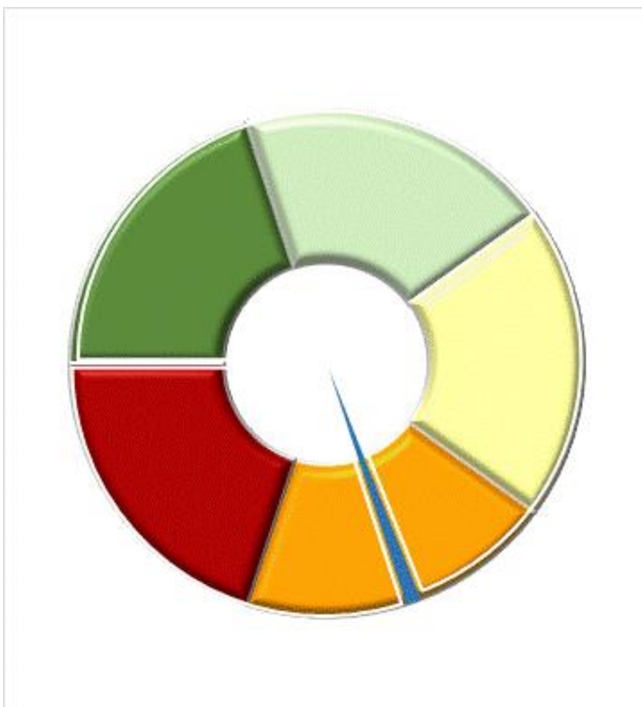
I own plenty, so that has been good.

Chances are you own plenty, too.

But the easiest money will come from these gaps closing.

No one knows when it will happen, and it could happen quickly.

Thus, one must be prepared ahead of time.



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