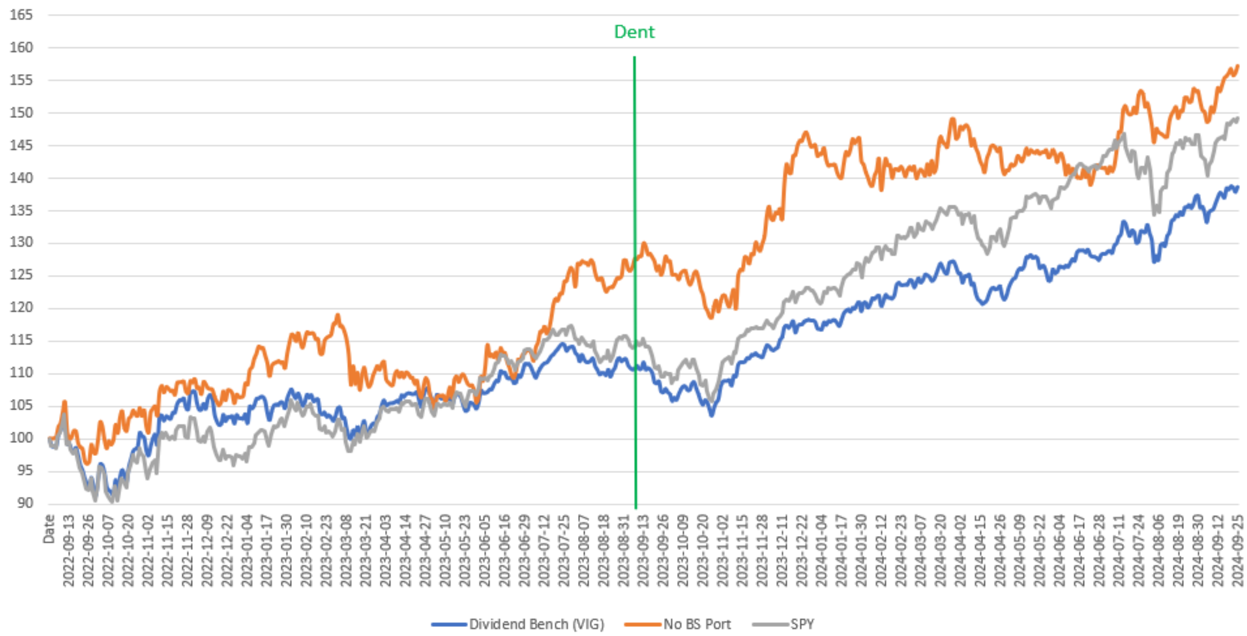
September 30, 2024

The NO BS Growth and Income Portfolio

By John Del Vecchio



Trades: No trades This Week

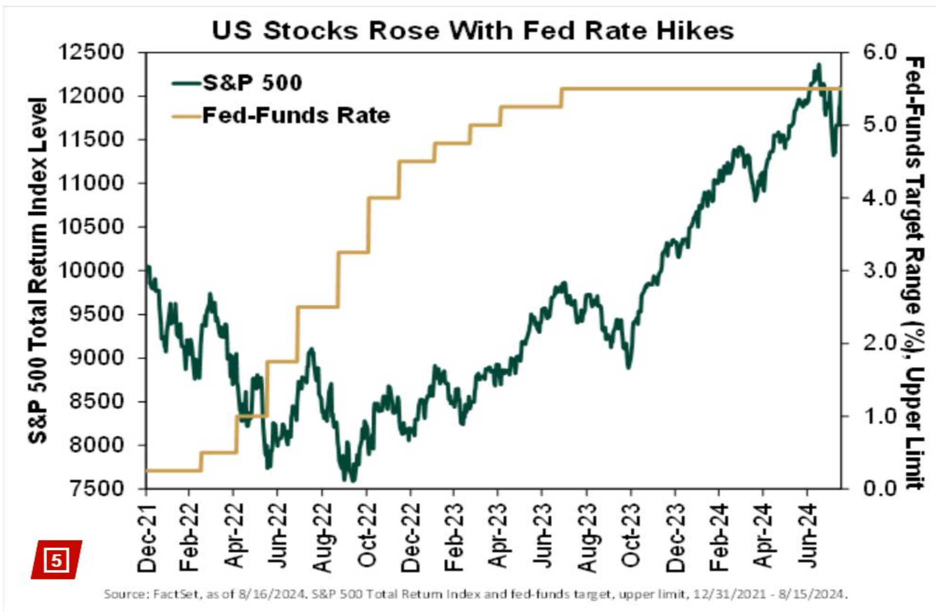
Current Portfolio September 30, 2024

Ticker	Name	Return	Days Held	Sector
CBKM	Consumers Bancorp, Inc.	3.83%	129	Finance
CGECF	Cogeco, Inc.	0.96%	52	Telecommunications
EFIN	Eastern Michigan Financial Corp.	4.63%	62	Finance
FMC	FMC Corp.	6.08%	52	Non-Energy Materials
FUSB	First US Bancshares, Inc.	28.44%	178	Finance
HY	Hyster-Yale, Inc.	2.73%	45	Industrials
MCEM	The Monarch Cement Co.	33.39%	381	Non-Energy Materials
RSKIA	George Risk Industries, Inc.	27.54%	143	Technology
SUN	Sunoco LP	4.53%	45	Energy
VLO	Valero Energy Corp.	1.76%	10	Energy

Fed Cut…Now What?

A few weeks ago, I posted a few charts and highlighted an analysis from renowned investor Ken Fisher that suggested Federal Reserve actions don't matter much concerning stock prices.

Here is one of those charts for reference. As the chart shows, stocks have rallied sharply *despite* a historic increase in interest rates.



Hiking fear partly drove 2022's stock slide. But the S&P 500 gained 59.5% since that October's low — preceding six straight rate hikes.

Since then, the Federal Reserve has reversed policy and cut rates. So now what?

There's an old saying, "Don't fight the Fed".

I first became interested in the stock market during the crash of 1987. I was twelve years old.

My Mom refused to buy cable television. Armed with rabbit ears and tinfoil, I grew up with PBS.

I learned to cook from Julia Child, to paint from Bob Ross, and to understand the stock market from Louis Rukeyser on *Wall Street Week*.

Martin Zweig was one of the regular "elves" on Wall Street Week and my favorite guest.

Mr. Zweig had a look of perpetual worry on his face. He looked constipated as if he were sitting on a toilet trying to squeeze out a turd for the last 30 minutes.

Uncomfortable looking, yes! Undoubtedly successful, though. His Zweig-Dimenna hedge fund was one of the best-performing partnerships of all time.

Zweig, who sadly is no longer with us, was data-oriented. He wrote a great book called *Winning on Wall Street* with numerous strategies supported by hard data.

One of his mantras was, "Don't fight the Fed." And Zweig's conclusion was backed up with reams of data.

Generally, the Federal Reserve does not cut rates at one meeting and raise them the next. Instead, It looks something like this:

Raise, raise, raise, pause for a while, cut, cut, cut.

There's an obvious pattern, and trends form. This is how I first discovered the use of trends to profit from market movements.

Data from the 1940s to the 1980s supported not fighting the Federal Reserve.

But things change.

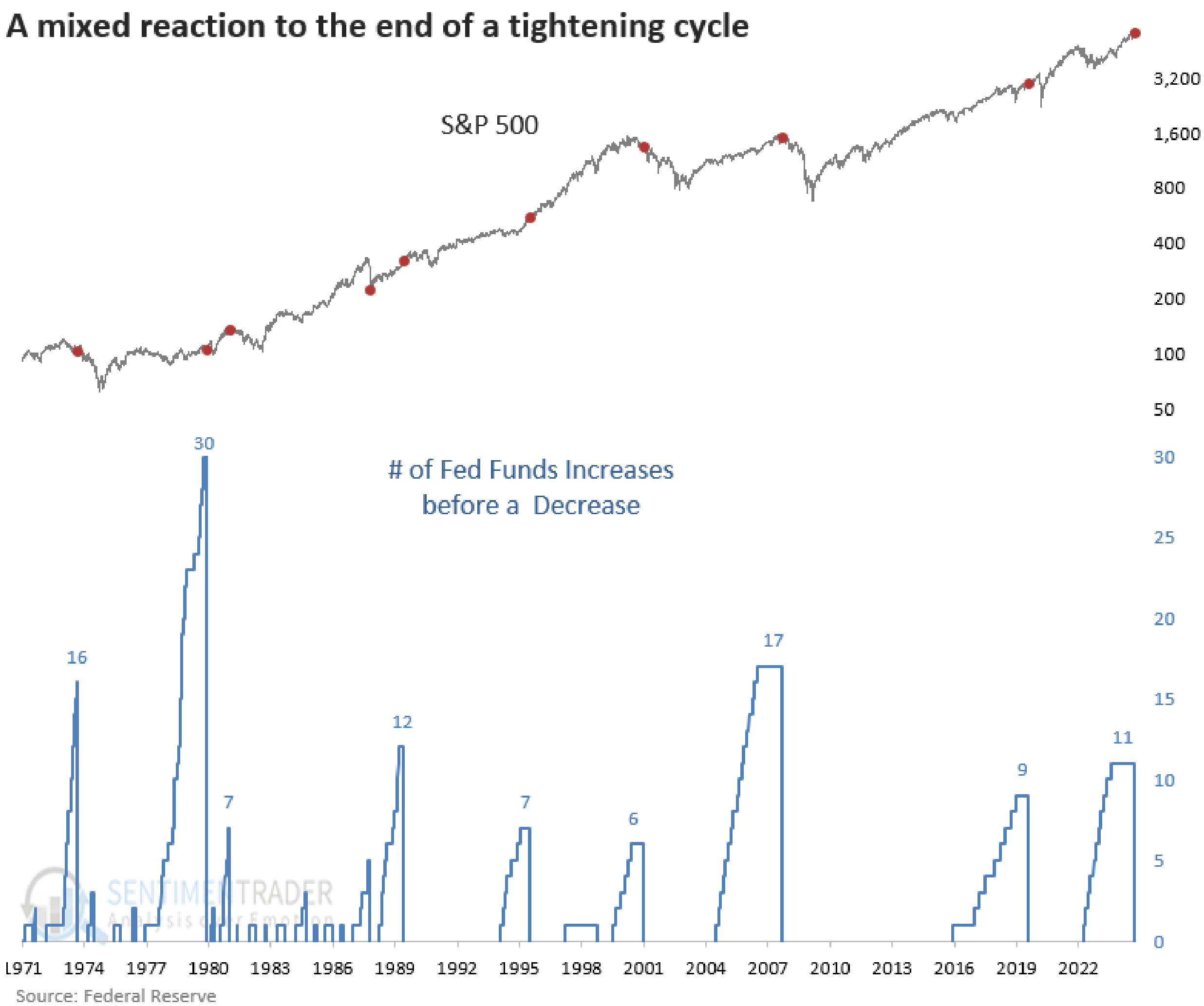
I always say markets change, but human nature does not.

The market has changed here. Ken Fisher showed that sitting on the sidelines of this historic tightening cycle cost investors a lot in gains.

Now that the Federal Reserve is cutting, it should lead to further gains, given that the Fed is accommodative, right?

Ehhhhh…not so fast.

Here’s a fascinating chart from *SentimenTrader.com* I wanted to share with you.



Something has changed in the last 30+ years. The Federal Reserve cut rates only for the market to stall or, in some cases, get spanked hard. Eventually, the market trended higher, but given enough time, it always does.

Look at the last few periods of 17, 9, and 11 increases only for the market to reverse after a cut.

Stepping in front of a freight train and being whacked with a quick 25% loss hurts, no matter who you are or your net worth.

This chart tells me the Federal Reserve members are clueless. Did it take ***17*** rate increases to get rates to where they needed to be before cutting them?!?!?!?

Or 9 or 11?!?!

Seriously? WTF!

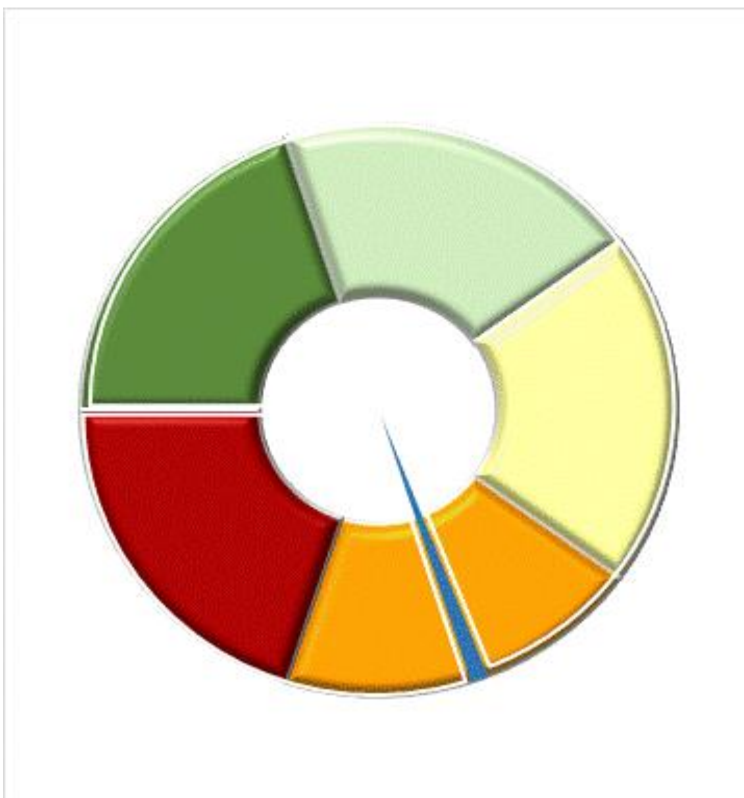
It's a joke. I'm in Fisher's camp. I'd ignore all the Federal Reserve chatter altogether. An entire industry has been built around talking about the Federal Reserve, parsing the speeches, and figuring out the policy's impact on the markets.

I'm ignoring it. And I think you should too.

In my book *Unbounded Wealth,* I discuss how financial news can harm your physical and financial well-being. My favorite reference to *CNBC* comes from a short seller named Marc Cohodes. He calls *CNBC* the *Cartoon Network*, which makes me chuckle every time I think about it, and even as I write this.

Regardless of what the Federal Reserve does, the spread trades I discussed last week contain huge return opportunities.

There's always money to be made in trend following. Not every day, week, month, or year. And you never know when the big trend is coming. But the *market* will tell you what it thinks of the Fed's moves. And that's more important than what *you* think of the Fed's moves.



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