



John's Take 12-26-24

Merry Christmas...Gift

Merry Christmas and Happy Hannukah! This week, I will spend the holiday in the desert for the first time since 2006.

After moving out of my home two weeks ago with over 70 inches of snow in the last month, I look forward to *not* having a white Christmas!

I am tired and sore from moving but in good spirits this holiday.

I hope the holiday season and Santa treat you well.

This week, the market gave us a gift.

The gift of being oversold. So, I used this opportunity to allocate to my taxable account.

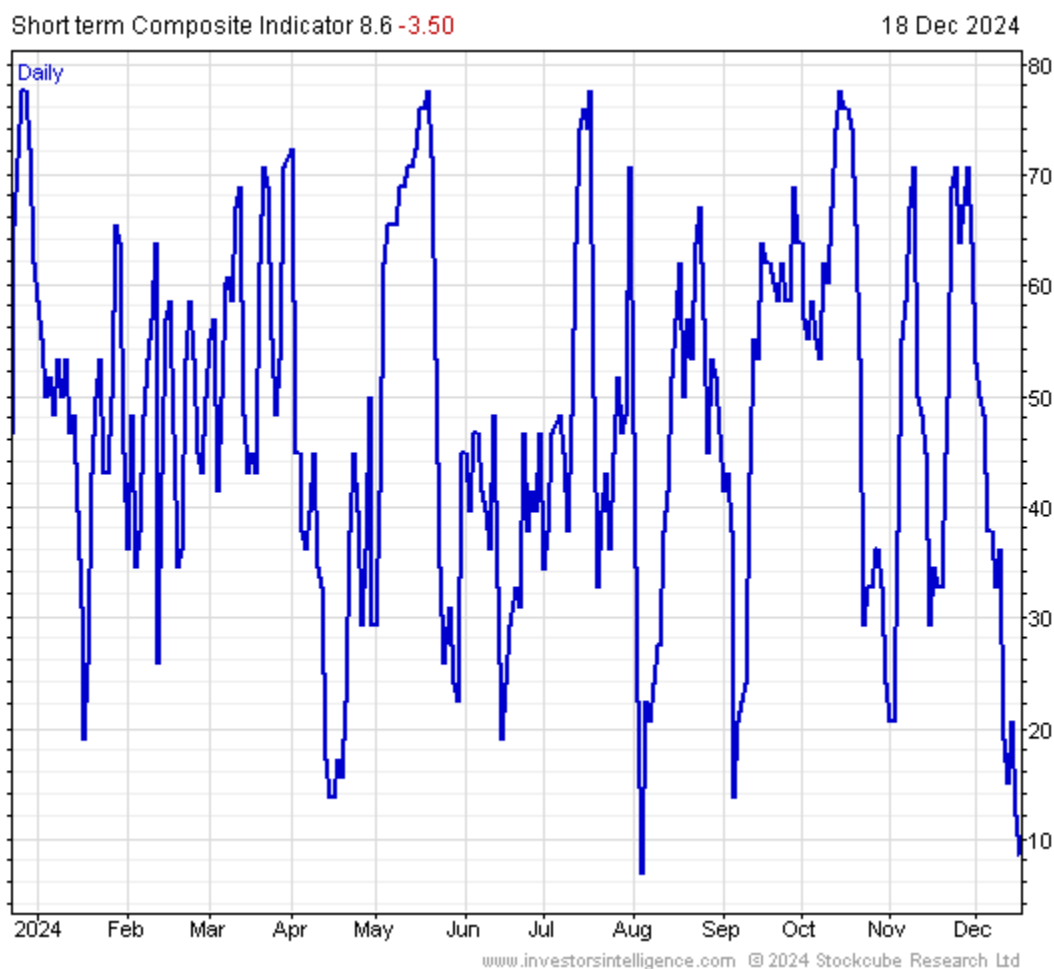
Long-time readers know one of my favorite overbought/oversold indicators is the *Short-Term Composite* from *Investors Intelligence*. The indicator generates a number using about three dozen price-driven indexes.

I know above 70—because I've tested it—is a loser's game. I also know below 20, the market gets interesting. And I really, really know that, below 10, you must buy some stock, even if your intermediate market opinion is neutral or bearish. It's a good time to add to stocks, especially if you do not intend to sell. That's always been my plan in my taxable account.

The *Short-Term Composite* hit 8.6 the other day, and I bought some stock. I plan to buy more over the holiday week, too.

Specifically, I bought equal-weighted S&P 500 (Ticker: RSP) and Dimensional Fund Advisors Emerging Markets Value (Ticker: DFEV) ETFs.

Both have lagged the S&P 500 quite a bit because just a handful of stocks have dominated the S&P. You can count the number on two hands.

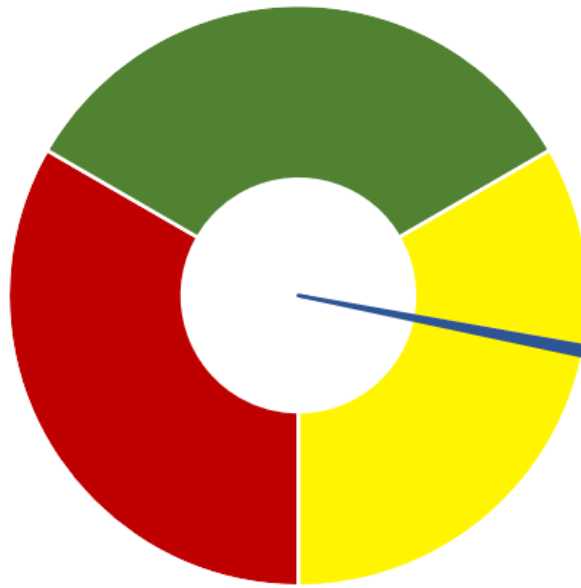


Other areas of interest for me are small-cap stocks and value indexes. Value has been *murdered* on a relative basis in recent times, and I do not know when that might change.

When it does, it's going to be epic. However, I have not developed a plan to determine when that tide will shift. I may have to hold my nose and make the bet simply.

I have not done anything in that area for now. This is a 10-year trade, so nailing it to the day isn't a big deal.

Because the *Risk-O-Meter* is neutral, I did not make a big allocation to my taxable account. We are not in an "all-in " situation, but nonetheless, the market got deeply oversold last week, and if you're disciplined, you have to push some chips into the pot!



These opportunities present themselves about a half-dozen times per year, and I take advantage of them when they arise.

My approach is robotic. I see an oversold market, sell money market funds, and then sprinkle that capital around to the major themes I have developed for some time.

Those themes are emerging market value, equal-weighted S&P 500 (to remove the bias of the major stocks in the index), small-cap stocks, and eventually value indexes.

I wish you a safe holiday season and hope 2025 will be your best year yet!

The best part of all of this has been the questions, comments, and feedback I have received! Thanks for making my time in this space enjoyable over the past five months.

Feel free to reach me at jd@unboundedwealth.com

See you in 2025!

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