Pressed to the Floor

Recently, I have felt like I am living inside the movie *Groundhog Day.*

Over and over again, it's the same thing. Day in. Day out.

Anyone remotely conscious is aware that tariffs are front and center.

Risk-related financial assets have been sold off aggressively.

We are at a critical juncture, and the losses in recent days have been breathtaking. If you're wondering what to do or have anxiety, it's not your fault. Markets change, but human nature does not. It's been a *scary* drop.

Speculators are running for the exits. We live in a TikTok world where the attention span is short. Everyone wants immediate results, but the world doesn't work that way.

Furthermore, our lives are *filled* with gas-lightening propaganda.

It's impossible to discern how this tariff drama will truly play out.

I have found it helpful to watch *YouTube* videos of Secretary of Treasury Scott Bessent talking about the tariff issue in interviews. A couple of them were informative, particularly a good one with Kaitlan Collins of *CNN* (not considered the most favorable network to the administration). There are also a couple of others floating around, and in about 30 minutes to an hour, you can get the information directly from the source.

Go to the source himself. Watch. Use your critical thinking skills.

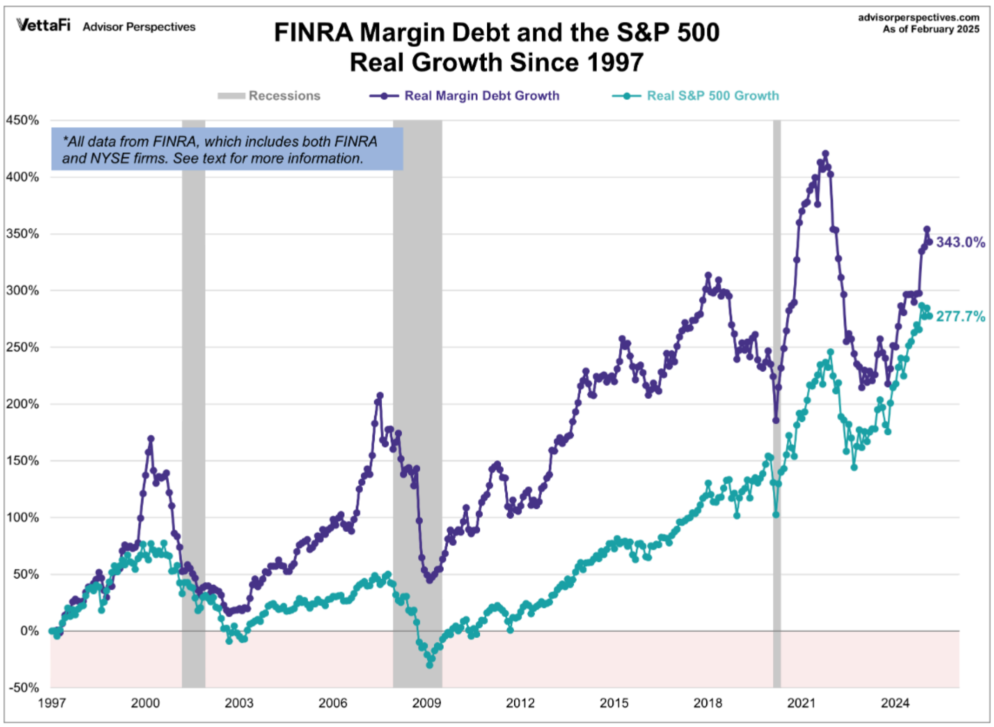
Watch and listen for *yourself*. Then*, you* can decide whether that impacts *your* investment decisions.

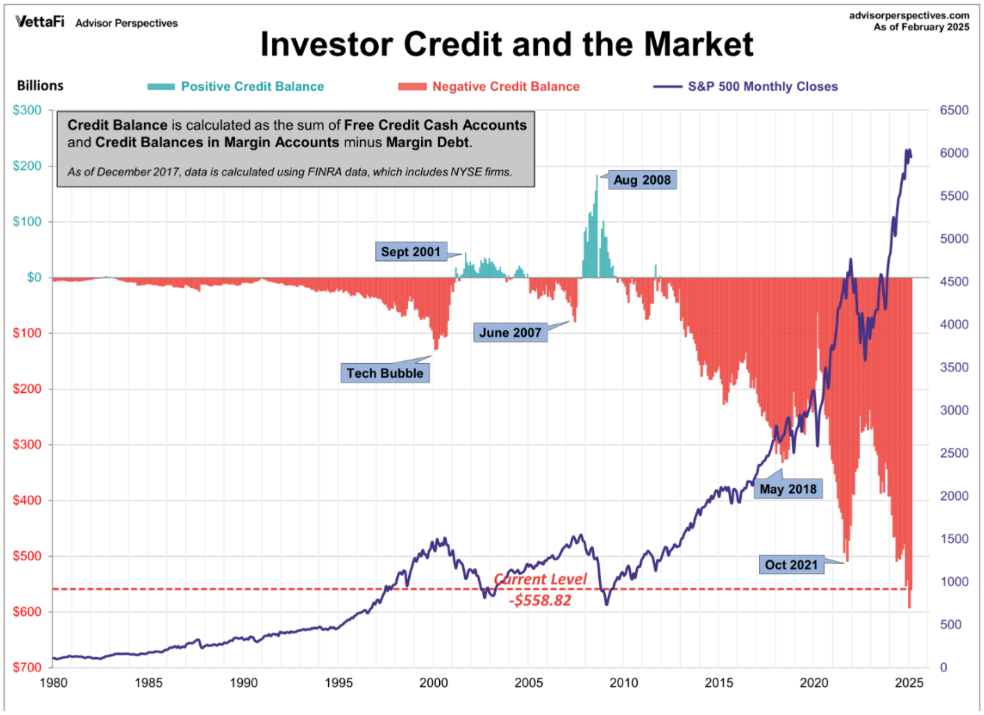
In addition, there are two other issues I would like to highlight.

First, I have noted in past newsletters that the system is very leveraged. Speculators have taken on *massive* amounts of margin debt to press their bets as the market pushes higher in a low-volatility environment.

That always works until it always doesn't. When the turd in the punchbowl appears, these people get sold out quickly at *terrible* prices.

Major market lows historically have often appeared when all this leverage has done a 180 and speculators have gotten their ass kicked.





Unsurprisingly, margin debt has expanded due to an extended period of low interest rates and low volatility.

It's mostly been "easy money." Of course, these people won't be around to participate when the rebound happens because they'll have margin calls up to their eyeballs and will be out of the game.

I suspect that the last few days have seen a lot of margin calls. There's been aggressive, sloppy selling. It's everywhere. If you own any risk assets (stocks), there's nowhere to hide.

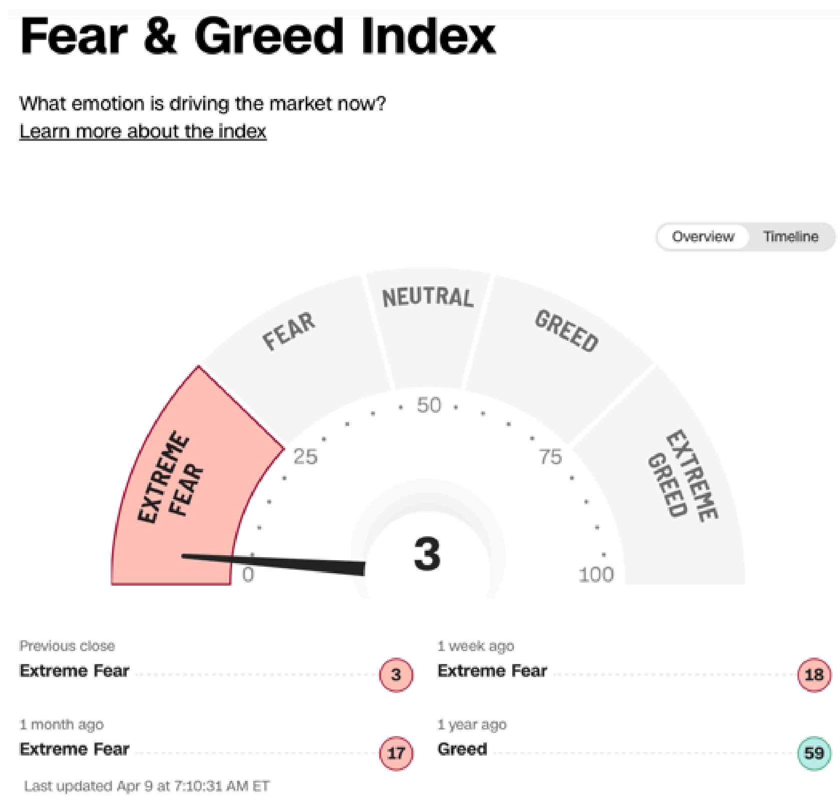
There have been many margin calls because the S&P 500 is the most oversold since the COVID-19 crash. Before the COVID-19 crash, investor sentiment was exceptionally bullish, and speculators were aggressively positioned. We all know what happened.

Here’s a chart of the S&P 500 with the 14-day Relative Strength Index (RSI). The RSI is a measure of the overbought and oversold nature of the market. The RSI closed on April 8, 2025, at 21.42. That happens as often as you'd see Big Foot in the wild. It takes *a lot* of selling pressure to push the RSI *that* low.

Here's a snapshot of the S&P 500 since the tariff-related drama has pounded the markets. The RSI has been pressed several times during this period, but this is a rare occurrence.

A sign that margin calls could end would be a weak market open and a strong close, particularly the market closing up on the day. For example, the market opens down 2% and closes up 1%.

Here's the *CNN Fear & Greed Index I* have shown before. The reading is a 3. I didn't know it could get that low. Even during the COVID-19 smash, I do not recall the index ever being that low.



Due to my conclusions on tariffs and the Big Foot sighting – which began from Friday's close -- on the market's oversold nature and too many people leaning in one direction, here's what I have been doing:

I made a small allocation on Monday, bought a little bit on Tuesday, and bought a bit on Wednesday.

I'm buying the market for two reasons. First, it's oversold, and that's a function of discipline. The S&P 500 also dipped below 5,250 and 5,000, two targets I watched before deciding to do anything else. I decided to allocate based on that decline and based on recent events.

I'm not betting the farm because unlike the crisis in 2008 and COVID-19, the end game isn't apparent.

During the market meltdown due to COVID-19, for example, the markets were flooded with liquidity worldwide. More liquidity was pumped into the system in hours and days than in the prior crisis, which took too long.

There was only one way for stocks to go. Up.

In 2008, I managed a strategy shorting stocks for an asset manager backed by a wealthy family. Each day during the crisis, I would check in with a trader on the floor of the NYSE, and with 15 minutes to go before the close, there were no "buy" orders. So, it was easy to stay short of the market because no one was apparently buying. Then, once it became evident that there would be bailouts and other mechanisms (banning the ability to short certain stocks, etc) put in place to provide a floor to the market, it became easy to become bullish.

I became bullish near the end of 2008. The market *then dropped considerably* over the next nine weeks.

Playing the odds doesn't imply perfect timing.

When it turned, it *turned*. It worked out great!

Now, who knows how bad this can get? Everyone is bearish, and the market is pressed to the floor. I'll take the other side of the trade every time.

My allocation on Wednesday is part of my typical monthly investment, regardless of what is happening worldwide.

If you want to ignore the noise and drama and go back to living life, then there's no better way to invest than making regular, periodic allocations.

Beyond that, I will stop and catch my breath. While markets are profoundly oversold and sentiment is too bearish, there's no point in putting good money after bad if there's no end game here to the trade war.

The market trend is down, and my proprietary indicators have been in "risk off" mode since the market melted down. Given the market break below the 200-day moving average, my *Risk-O-Meter* is now on the sidelines.

The purchases above are separate from those strategies. I favor *multiple strategies*.

Some tell me to buy, while others suggest I be cautious.

For me, this is the most delicate balancing act I have experienced.

All I can do now is see what happens!

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