UNBOUNDED WEALTH

Here We Go Again

For a few weeks, I illustrated how pressed to the floor both the market and investor sentiment were after the chaos surrounding tariffs.

My strategy is to buy when the market gets that pressed. Even in the case of the worst pandemic in 100 years, when no one knew whether or not it was the black plague of the 21st century and we all might die, the proper play was to buy the market.

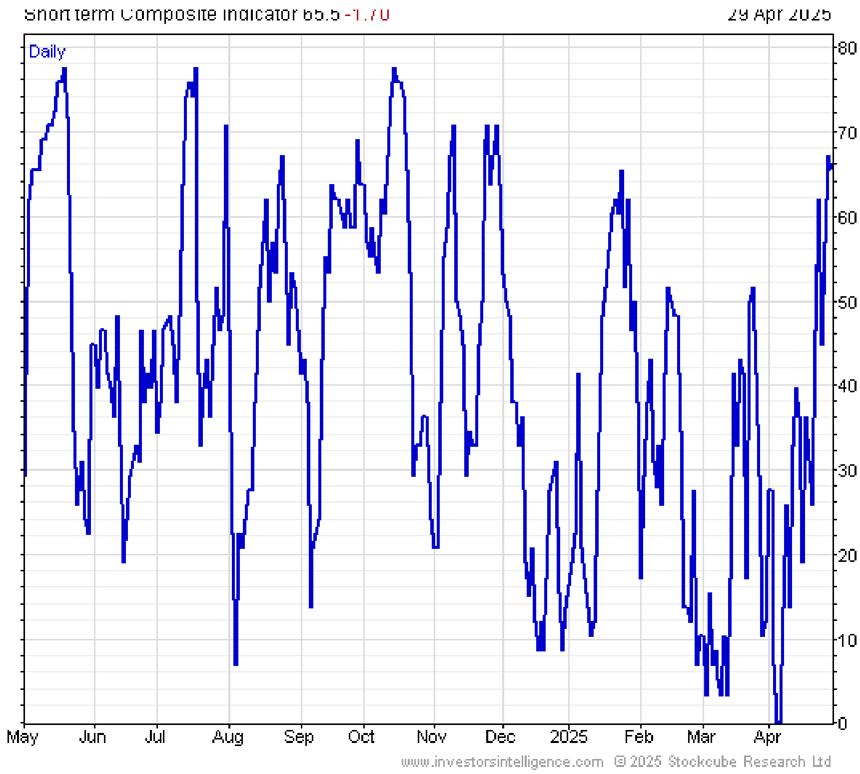
Few investors have any strategy at all, and even fewer follow their strategy. Sticking to your system, no matter what it is, gives you a *massive* advantage over the masses.

Now, the market has bounced, and risks are elevated. When the market was pressed, the risk was to the upside. For example, a pause in tariffs would naturally cause the market to explode higher. Of course, I didn't know what would happen or when. But it happened and played out the way the risk/reward setup suggested.

Now, the market is quickly becoming overbought. It's not quite there yet, but I am on high alert. There certainly isn't the advantage to buying stocks as there was a few weeks ago.

The risk now is on the downside. For example, a tariff deal considered to be a shoo-in could be delayed.

Here is the *Short-Term Composite* from *Investors Intelligence*. This happens to be my favorite indicator of the market's overbought/oversold state.



When this indicator gets to 70, I know it's a *losing proposition* to buy stocks before the next time the market gets oversold, on average.

I know this because I tested it. At 70, the returns are negative.

We were at over 67 on April 28th. I also know not to anticipate that it will hit 70. It might. It might not. Instead, I'm on *high alert.*

As you might imagine, other technical indicators have surged with the market rebound.

Now is the time to be thoughtful and not careless.

The market could, in fact, push higher from here. *Market sentiment is still too bearish*. I suspect that won't change because tariffs are uncertain, as are interest rates and the enormous debt rolls that are coming. Furthermore, earnings season is in full swing, and there's the potential for plenty of bad news to come out from individual companies.

The market could easily tread water too.

So, for now, I am sitting on my hands. The best situations occur only a handful of times a year, and we just had one.

Now I can step away for a bit and do something more exciting, like take my dog for a walk, without watching every wiggle in the market!

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