You Ask, I Answer

I received a good question from a subscriber this week that I'd like to pass along and answer.

Don H. writes, *"In your 7/7/25 issue, you mentioned insider selling, and the short-term composite was at high levels that may signal a blow-off top, yet the Simple retirement system suggests being 100% QQQ. Is there a disconnect? Are you considering tweaking the retirement model to incorporate other indicators to be consistent with your view in the newsletter?"*

Many of the strategies I use involve quantitative models. If they say "buy the market," then I buy the market. The techniques are well tested. They also don't "work" every day, week, month, or year. *Over time*, they have an edge. The only way to exploit that edge is to follow the system.

I do not use quantitative models in my taxable account. When I write in this space that now the market is overbought and I am no longer adding to stocks, I am referring to my taxable account.

I was an aggressive buyer during the Tariff Smash because the market was deeply oversold. I highlighted these conditions for several weeks in this space. Now, that is no longer the case.

The strategy I use relies on data, as well as intuition. I've posted the *Short-Term Composite* from *Investors Intelligence* in this space. It's not a model I developed, and I have no affiliation with the company. However, I find it helpful, and I've tested its history.

When the indicator exceeds 70, I do not buy stocks in my taxable account.

When the market is getting pressured, I also look at other data points. For example, I check out the *CNN Fear and Greed Index*. You can view it for free online.

I also examine the *Bullish Percent* figures from point and figure charting on the major indexes.

Even if the world were coming to an end, I would still buy stocks if the market was deeply oversold and investor sentiment too bearish.

It doesn't matter what I think beyond that. I react to the data.

So, I can own stocks in one quantitative strategy but not be bullish overall because, then, the market may be overbought.

That's where we are now.

I do not see that as being at odds with that. Instead, having multiple strategies trading a variety of markets is helpful.

If you only invest in the S&P 500, you *will* experience multiple 50% drawdowns over time. There is no way around it.

I prefer not to have 50% drawdowns, and one way to achieve this is to have multiple strategies in play simultaneously, even if they don't always lean in the same direction.

Once in a while, they *do* lean the same way, *and* the trade is very profitable. Then you make significant returns quickly. Unfortunately, those opportunities do not present themselves that often—a small handful of times a year.

I suggest having multiple strategies in place and letting them work independently.

Your brokerage account will thank you!

speculative and carries a high risk; you may lose some, all, or possibly more than your original investment.

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