



There's a Difference Between Being Right and Making Money

One of the biggest mistakes investors make is believing that successful investing is about making accurate predictions.

It isn't.

There's a difference between being right and making money.

Those two things overlap from time to time, but they are not the same thing. My focus has never been on proving that I'm smarter than everyone else or making bold predictions that grab headlines. My focus has always been on the journey—the path to financial independence—and that means consistently building capital over long periods of time.

Predictions are a lot like opinions. Opinions are like assholes.

Everybody has one.

The problem is that having an opinion has very little to do with making money. People become emotionally attached to their predictions. They want to be right because being right feels good. It strokes the ego. But the market doesn't care about your opinion or mine. It simply does what it does.

I really couldn't care less about being right.

I care about what my brokerage statement says.

That's the scorecard that matters.

Predictions Versus Probabilities

I think the biggest difference between making predictions and assigning probabilities is certainty.

A prediction says, "The market is going to crash."

A probability says, "The market is expensive, but it's still trending higher. The odds favor that trend continuing until the evidence changes."

Those are two completely different ways of thinking. The first approach requires certainty. The second approach requires humility.

I don't know if the market will go up tomorrow. If I knew that, I'd probably be sitting on a beach somewhere drinking a very expensive cocktail while refreshing my brokerage account every few minutes and watching my balance go up.

But I don't know.

What I do know is that markets trend. I know that trends persist longer than most people expect. I know that mean reversion occurs after markets become excessively stretched. I know these ideas can be tested over decades—even centuries—of market history.

I'm not making this stuff up.

You can sit down at a computer and test trend-following strategies back to the 1800s.

That's a very different mindset from predicting tomorrow's headline.

The market may look completely different in the morning than it does by the afternoon. I may be bullish in the morning and bearish later in the day if the data changes. My opinions don't matter.

The data does.

That's why I don't become emotionally attached to forecasts.

I become attached to the process.

The Market Doesn't Reward Opinions

People often assume that professional investors don't make predictions.

That's simply not true.

I've seen plenty of hedge fund managers make predictions. I've seen some of the biggest names in investing confidently predict market crashes, recessions, inflation, deflation, wars, and economic booms.

Sometimes they're right.

Often they're wrong.

The problem is that nobody seems to remember the misses. Someone recently sent me an interview with one of the biggest names in investing predicting that World War III was imminent. The problem is that this particular investor has been making dire predictions for years while missing hundreds of percent of gains in the stock market.

Yet he continues to receive television interviews.

He continues to receive magazine covers.

He continues to make the next prediction.

Nobody ever goes back and asks, "How did your last prediction work out?"

That tells you something.

The financial media isn't really in the prediction business.

It's in the entertainment business.

Bold predictions generate attention. Attention generates ratings. Ratings generate advertising dollars. The more dramatic the prediction, the more people tune in.

That's one of the reasons I don't watch financial television. It's not because there aren't intelligent people on television. There are. It's because I don't think prediction is a particularly useful way to invest.

The Horse Racing Lesson

The only form of gambling I've ever really participated in outside the financial markets was horse racing. My father introduced me to it when I was young, and over the years I've had several friends who became professional horse bettors.

One of the fascinating things about horse racing is that the odds are not set by the casino.

They're set by the public.

Horse racing is a pari-mutuel system. The betting public determines the odds. That's very similar to the stock market.

The masses collectively decide what something is worth.

Here's what I learned.

The public consistently overestimates the favorite's chances of winning. If you bet every favorite, you'll actually win a lot of races. You might win one out of every three races.

And you'll still lose money.

Why?

Because the favorite has been bet down so heavily that the payoff isn't large enough to offset the inevitable losses.

Meanwhile, there are horses that should be lower odds than they actually are because the public systematically underestimates their probability of winning.

That's where the opportunity exists.

The same thing happens in markets. Markets are simply millions of people expressing opinions with money instead of words. The crowd becomes overly optimistic. The crowd becomes overly pessimistic. The crowd falls in love with stories. The crowd panics.

And because of that, the crowd creates opportunities.

I've often said:

The masses are asses.

That's admittedly a little blunt, but the point is that crowds consistently overreact. If they didn't, there would be very little opportunity for disciplined investors.

Every Trade Is About Probability

Inside the *Real Money Portfolio*, I'm not certain of anything.

I'm simply looking for situations where the odds appear favorable.

If trends are positive, then the probability favors those trends continuing until the evidence changes. If markets become deeply oversold, the probability favors some degree of mean reversion.

That doesn't mean every trade will work.

Far from it.

In fact, one of the most important aspects of trend following is that you have to take every trade. You don't know ahead of time which trend is going to become the big winner.

Many trends go nowhere. Some last only a few weeks. Others spend months moving sideways before finally taking off.

Then every once in a while, you capture a move that accounts for a huge percentage of your total profits.

Just before launching this newsletter, I wrote repeatedly in my other newsletters—and even in my free newsletter—that the market had become as oversold as it had been during COVID.

My conclusion was simple:

It was time to buy.

The riskiest assets exploded higher.

Some strategies gained 40%, 50%, 60%, even 70% in only a matter of weeks.

Those opportunities don't happen very often.

Which is exactly why you have to be prepared when they do.

Risk Management Is More Important Than Predictions

Thinking in probabilities naturally leads to another important concept:

Risk management.

If you can manage risk well, you don't have to be right very often to make a lot of money. Conversely, if you ignore risk management, you can be right most of the time and still eventually go broke.

That's one reason I'm very skeptical whenever I see a trading system boasting a 90% win rate.

To me, that's a huge warning sign.

Why?

Because those systems usually generate lots of small wins and then eventually take one catastrophic loss that wipes out months—or even years—of profits. They have no meaningful risk management. Everything looks wonderful until it doesn't.

Eventually, you're going to get your ass kicked.

It's only a matter of time.

I'd much rather have a system that loses frequently but cuts those losses short while allowing winners to become much larger than the losers. That's the essence of trend following. If you can consistently cut your losses and let your winners run, you can be wrong a surprising amount of the time and still build substantial wealth.

That's another reason I don't care about making predictions.

I care about surviving long enough for the probabilities to work in my favor.

History Is Full of Confident Predictions

One advantage of studying market history is realizing just how often both professional and individual investors are confidently wrong.

Take the dot-com bubble.

Individual investors became more heavily invested in stocks than at any point in history. Everyone knew the Internet was going to change the world.

They were right.

The Internet did change the world.

What they failed to appreciate was that changing the world and making money for shareholders are two completely different things. Companies still need to generate cash flow. During the bubble, analysts began inventing entirely new valuation metrics. Instead of talking about earnings and cash flow, they talked about eyeballs, website traffic, and other measures that had very little relationship to long-term profitability.

Eventually, reality caught up.

The technology changed the world.

Many of the companies didn't survive long enough to benefit from it.

The housing bubble was another example. People convinced themselves that home prices could never go down because they had never experienced a nationwide decline in housing. Lending standards disappeared. No-documentation loans became commonplace. People who never should have qualified for large mortgages suddenly had access to enormous amounts of credit.

You didn't have to predict a financial crisis to recognize that something wasn't sustainable.

In fact, it was one of the reasons I started my second hedge fund in 2007.

COVID was different.

COVID was much harder because nobody really knew what we were dealing with. Was this going to be the Black Plague of the twenty-first century?

I certainly didn't know.

In my own family, my great-grandmother and great-uncle both died during the Spanish Flu more than a century earlier. So I understood that pandemics could have devastating consequences. At the same time, governments and central banks were flooding the financial system with liquidity at a pace that dwarfed what occurred during the Financial Crisis.

So even though I couldn't predict the outcome of the pandemic, I could observe what policymakers were doing.

If the world was ending, I suppose I could die.

But while I was still here, I was going to buy stocks aggressively.

That's exactly what I did.

Artificial intelligence presents another interesting example. I think we're still early enough in the development of AI that anyone confidently predicting the long-term winners is probably wrong. History suggests that transformational technologies create enormous opportunities, but identifying the ultimate winners early in the cycle is extraordinarily difficult.

Instead of trying to predict which horse wins the race, I'd rather own several horses and let the winners begin separating themselves over time.

Again, that's probabilities.

Not predictions.

Judge Decisions—Not Outcomes

One of the biggest mistakes investors make is judging the quality of a decision by the outcome.

That's backwards.

The best way to determine whether a decision was good is to ask a much simpler question:

Did we follow the system?

If the answer is yes, then it was probably a good decision—even if the individual trade lost money. Likewise, someone can make an absolutely terrible investment decision and still make money simply because they got lucky.

Luck and skill are not the same thing.

A good decision doesn't always produce a good outcome.

A bad decision doesn't always produce a bad outcome.

Over time, however, consistently making good decisions tends to produce better outcomes because the probabilities eventually begin working in your favor.

That's why I focus so much on process.

As long as we continue making good decisions and consistently applying our methodology, we're going to be okay.

Performance Isn't Linear

Investors also have unrealistic expectations about performance.

Someone decided years ago that the calendar year begins on January 1st and ends on December 31st.

That's just a construct.

Markets don't care what day it is.

There will be bad days.

Bad weeks.

Bad months.

Bad quarters.

Sometimes even bad years.

The objective isn't to win every week.

The objective is to survive long enough for the probabilities to assert themselves.

Performance is often lumpy.

I'll give you an example.

My *FAST Profits* newsletter experienced a frustrating stretch from early November of 2025 through the end of the year. It seemed like every week something wasn't working the way I expected. Relative to the market, it was simply a disappointing period.

I've been doing this long enough to know that these periods happen.

Sure enough, once 2026 began, performance exploded to the upside.

Nothing fundamentally changed.

The process didn't change.

The probabilities simply began working in our favor again.

That's why you have to take every trade. You never know which period is going to produce the majority of your long-term returns.

One great quarter can make an entire year.

One great trend can make several years.

If you abandon your system during the difficult periods, you'll almost certainly miss the periods that matter most.

Thinking In Probabilities Reduces Stress

One unexpected benefit of thinking in probabilities instead of predictions is that investing becomes much less stressful.

If you're constantly making bold predictions, every market move becomes a referendum on your intelligence. Were you right? Were you wrong? Should you defend your opinion? Should you double down?

That's exhausting.

Thinking in probabilities is different. You simply wake up each day and execute the process you've already tested and know works over long periods of time.

Some days it works.

Some days it doesn't.

That's okay.

As long as you continue following the process, eventually the cream rises to the top.

That's really all I think about.

I wake up each morning and ask myself one question:

"Do I simply need to execute what I already know works?"

The answer is almost always yes.

The Most Important Lesson

If you remember only one thing from this issue, let it be this:

There's a difference between being right and making money.

Making bold predictions might make you feel good about yourself.

They might even earn you television appearances.

But making money is much more nuanced than that.

Successful investing isn't about predicting the future. It's about consistently putting the probabilities in your favor, managing risk when you're wrong, and having the discipline to follow your process long enough for your edge to emerge.

That's not nearly as exciting as making the next bold prediction.

But I believe it's a far better way to build wealth.

— John Del Vecchio

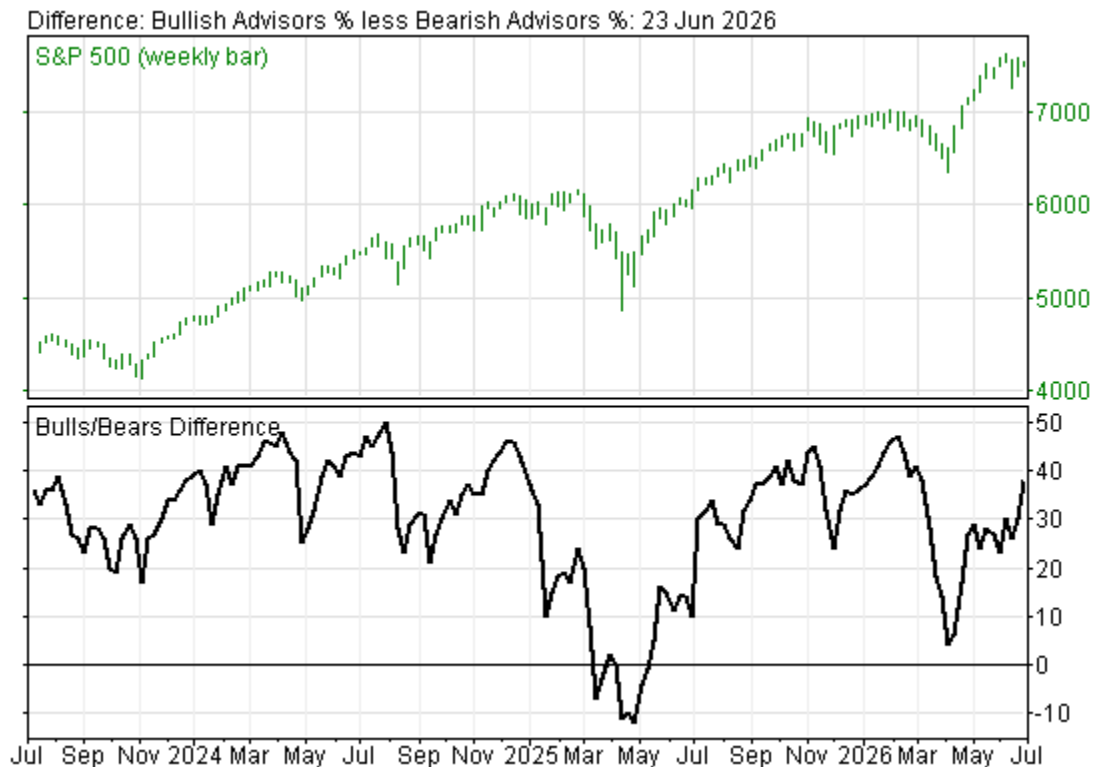
Portfolio Update

One question I receive frequently is, "What are you seeing right now?"

While I don't make portfolio decisions based on any single indicator, I believe it's helpful to share some of the factors I'm monitoring. One of those is investor sentiment.

The chart below comes from Investors Intelligence and tracks the difference between bullish and bearish investment advisors. Here's how I'm interpreting it today.

As you can see in the chart, bullish sentiment has risen sharply while bearish sentiment has fallen. Historically, readings above +30% suggest investors are becoming increasingly optimistic, and readings above +40% have often preceded periods of market weakness. Conversely, when bears outnumber bulls, particularly by a wide margin, I generally become much more interested in buying risk assets.



One point I'd like to emphasize is that I don't use sentiment as a market timing tool. I use it as a risk management tool. Extreme optimism doesn't mean the market has to fall tomorrow, next week, or even next month. Bull markets can remain optimistic far longer than most investors expect. What elevated sentiment does tell me is that expectations are becoming increasingly optimistic, and historically, future returns tend to become less attractive when nearly everyone is already bullish.

That's one reason the last time I became aggressively bullish was when bulls seemed to disappear and bears came out of hibernation. Fear has a way of creating opportunity. It doesn't guarantee the market can't fall further, but it often shifts the balance between risk and reward in the investor's favor. As Warren Buffett famously said, "Be fearful when others are greedy and greedy when others are fearful." While that sounds simple, it's surprisingly difficult to put into practice.

It's also important to understand that this chart, by itself, will never cause me to buy or sell. No single indicator should. Sentiment is just one input among many that I monitor. My investment decisions are based on a combination of market trends, risk management, intermarket relationships, and other quantitative factors. The biggest mistakes investors make often come from placing too much confidence in a single piece of information.

Markets don't usually peak because of bad news. More often, they peak because good news has already been fully embraced. By the time everyone agrees that the outlook is bright, much of that optimism has already been reflected in stock prices.

That's why I continually ask myself one question: What would change my mind? If bullish sentiment continues to rise while market internals begin to deteriorate, I'll naturally become more cautious. On the other hand, if sentiment cools while the underlying trend remains healthy, the market may once again offer a more attractive balance between risk and reward.

Ultimately, sentiment tells me when to think differently—not when to act immediately.

At the moment, I'm not predicting an imminent market decline, nor am I suggesting investors should panic. Elevated optimism simply tells me that risk management deserves a little more attention than return maximization. As always, my objective isn't to predict the next move in the market. It's to respond to changing conditions while protecting capital and allowing probabilities to work in my favor over time.

Subscriber Q&A

I always say it's never safe to assume that it's safe to assume. Just because something makes sense to me, it might not make sense to you. But, if you don't tell me, I have no way of knowing. I have few talents and I'm certainly not Nostradamus.

Subscriber Greg H. wrote in a great question and I am posting it here and other subscribers might have been wondering the same thing that was confusing Greg.

I'm not clear how the numbers each week apply to how much to invest each week in each of the various funds. Are we rebalancing each week to reflect the current numbers or are we just splitting, for instance this week 5% amongst the ratios of each weeks

funds? Say I was going to allocate 100,000 to this plan, so each of the last three weeks I was investing 10,000 (10%)- Would you mind going through a real world application as we ease into this?

Thanks,

Greg H.

My response...

Thanks for your question and sorry for the confusion. I'm traveling and not looking at the actual newsletter but here's some basic numbers. If you have \$100,000 then you would be \$35,000 invested. If the portfolio says 6% in SOXX then you'd have \$6,000 in that position. If there's 1% in GLD then that's \$1,000. So it's the % of the total capital you have and if you add all of those up in the box on the portfolio page then it's roughly 35%. I will answer your question in next week's newsletter because I'm sure you're not the only one a little confused. But hopefully this helps until then.

Best,

John

That leads us to current portfolio positioning. I'm still easing in. Currently, one of the models is flashing cash so at a 40% weighting mostly everything looks the same as last week except 5% of the cash is actually part of the allocation, and not just cash on the sidelines. See below.

Current Portfolio Positioning

Allocation: 40%

ETF	Weight
SPY	7.50%
QQQ	11.38%
SOXX	5.25%
QLD	7.00%
GLD	1.50%
TQQQ	2.20%
Cash	5.00%
Total Allocation	39.83%
Un-Invested Cash	60.17%

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