10.14.2022 – Upsy Downsy

You may have seen the stock market action yesterday (10/13/2022) and wondered, “what the heck is going on?” The stock market opened down over 2% and then, after a bit of a pause, roared back to a gain of 2.5% or so. Near as I can tell, it was a combo of a few things*:

1) The CPI (consumer price inflation) number came in worse than expected, meaning inflation is running hotter than the market thought, which caused the initial drop.
2) Large funds had bet on the market going down and “suddenly” with the big drop, were in the money on a bunch of their positions so, they immediately sold to profit, which caused those taking the other side of the bet to buy back into the market causing a rush upward.
3) Those seeing the market race upward joined the wagon and helped push it higher
4) Those seeing the market hit the 50% loss of the gains made from the pandemic low thought, technically, it was a good buy in point.

*Source: The Market Ear 10/13/2022

So, whether any of those were the reasons, who really knows. For me/us, I was watching bonds and gold. Although both came off their lows, they still ended negative yesterday and one would think they would have had a nice bid to go along w/ the rest of the market. That tells me, this thing ain’t done.

Everyone is still trying to “buy the dip.” Today is another example of that hope failing as the major indexes are down 1.80% so far today, coming close to reversing all the gains from yesterday. Mr. Market can’t get past the 21-day moving average (brown line) and the downtrend line (see the graph below). I have a hard time believing we are done and moving up from here. It’s important to remember, In the 2000 and 2008 crashes, the market sold off considerably after the Fed started reducing rates. The Fed started cutting rates on 01/04/2001 and on 09/17/2007. ^ In both cases, the stock markets had a nice run of 6-8% before resuming the downtrend.*

^ https://www.marketwatch.com/story/heres-what-history-says-about-stock-market-returns-during-fed-rate-hike-periods-11643212370
*Source: Yahoo Finance.

We continue to maintain an extremely conservative position for managed accounts at Nationwide Advisory. Stock fund allocations, including energy, ranged from about 17% to 25%. Lots of cash and short-term bonds funds along with some alternatives such as the US dollar and managed futures.

I wanted to also let you know, with the way the landscape of stocks and bonds has changed this year, and now that one can get “high” fixed rates from quality insurance companies and, with the flexibility of “buffered” securities (https://tacticaladvisoryservices.com/buffered-securities), I have altered the way I’m allocating assets. I have spoken to a number of you about this and will be sending a short note next week with more details.

Please let us know if you need anything.

Enjoy,

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