September 2, 2023	Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
	34,838	4,516	14,032	1,921	4.17%	25,830	$1,966	$85.45

Investment Strategy Report

Stocks Follow The Script and Rebound After Early August Pullback

As most of you know, trying to forecast the daily or weekly stock market fluctuations is very difficult. You are more apt to be successful identifying the longer term trend and ignoring any short term volatility. However, when I titled last month's newsletter "Any Pullbacks Should Be A Buying Opportunity", I didn't realize how prescient I would be (at least for now).

As August began, the markets were already somewhat sluggish, and the feeling was that stocks were due for some sort of a correction. Sure enough, from the date of that letter (8/3) to the lows of mid August, the major indexes dropped from 3 to 5%. But as I had forecast, those lows turned out to be buying opportunities as the markets have rebounded since then, from 3.3% for the S&P 500 to 5.6% for the Nasdaq. The basic premise of my call was that the market was in an uptrend and the consensus of all my analysts was that the uptrend should continue. So therefore any drop in stock prices would just present an opportunity to get back in to the bull market at cheaper prices.

Nothing much has changed in the past month to change my basic view that we are in a bull market and participating in both the stock and bond markets is our best strategy. In fact, there is now more evidence that the financial markets should continue to make money for us.

I'll begin with Greg Diamond of StansberryResearch.com (Ten Stock Trader report, 8/7). He's one of the best market technicians in the business. His philosophy is "forget about the *why*. I'm focused on *what* the market is doing". "You can scream and shout about why the market should do this or that, but the market is going to do what the market is going to do". In this report, he pointed to the relationship between interest rates, the dollar, and stocks. His analysis indicated that 1) interest rates are topping out, 2) which will lead to a weakening of the dollar, and 3) uptrends in both stocks and bonds. He also likes growth stocks and feels that they are in a strong uptrend, and stated (on 8/8) that the early month pullback in tech stocks presented a buying opportunity. This aligns nicely with my strategy of having somewhat of an overweight in growth.

Another analyst at StansberryResearch.com, Brett Eversole, also feels that interest rates have topped out and should soon begin to decline. In his 8/23 report, he stated that "futures traders are expecting higher 10-year yields at an extreme rate". From a contrarian viewpoint, "similar extremes in the past have led to huge declines in 10-year yields". This again, will be bullish for stocks as well as bonds.

The studies performed by the analysts at Sentimentrader.com seem to consistently show that stocks should continue higher. Jay Kaeppel (8/22) stated that "the action of the indicators highlighted above suggests that the recent decline in the major indexes is nothing more than a typical pullback in an ongoing bull market." Dean Christians published 2 studies showing that 1) "the range rank indicator triggered a buy signal for the S&P 500" with the index rallying about 85% of the time over the next 2 months during similar past occurrences (9/1), and 2) "The volatility index (VIX) closed below 14 in August, triggering a bullish development for stocks. After similar signals, the S&P was higher 86% of the time a month later, suggesting investors should not be cautious during the weakest month of the year, September. Should stocks rally in September, a consolidation/correction in October should set up a year-end rally."

Taking Advantage of Falling Interest Rates – While current rates of around 5% in short term bonds and money market funds might look attractive, you can do better (with a little more risk) by extending your duration, if you feel that interest rates will be falling. Locking in rates for 3-6 years (with the bond funds we're using) will offer capital appreciation when rates fall, in addition to the yields on the bonds. Of course the risk here is that rates continue to move higher. However, with rates having risen so much thus far, the risk / reward ratio has definitely shifted to the reward side for now. *Jeff Feldman*