June 1, 2025

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
42,270	5,912	19,114	2,066	4.42%	104,386	$3,313	$60.79

Investment Strategy Report

Mag 7 Growth Stocks Lead The Way As Stocks Explode Higher in May

Stocks surged higher in May, as the recovery from the April mini-crash continued. The S&P 500 was up 6.3% for the month and the Dow Jones was up 3.9%. Growth and technology stocks were the winners last month as the Nasdaq gained a very substantial 9.6%. However, the biggest winners for the month were the Magnificent 7 stocks (Apple, Microsoft, Nvidia, Alphabet, Amazon, Meta, and Tesla) which had their best month ever, gaining 13.8%. This outperformance by growth helped our overall performance, as our growth funds were up an average of 9.5%, easily outpacing the S&P 500.

After a very tumultuous and volatile, and to some, very scary, month of April, investors were very apprehensive going into May. By the end of April, stocks had pretty much completely recovered from the April tariff blow-up, owing to the pause in the implementation of tariffs, and many investors were happy to get out of stocks with only minimal losses. To my credit, I did end last month's letter with the guidance that "The pain trade is higher. Investors are now fearful that some good news will send markets higher". Not being in the market last month was indeed painful for those investors who sat on the sidelines. And good news did arrive on several fronts.

The first piece of good news was that trade negotiations between the US and its trading partners "seemed" to be progressing. There was a trade deal with the UK, and there were some positive developments with some of our other partners, especially, China, which saw the tariffs that we impose on them drop from 145% down to 30%, and their tariffs on us drop to 10%. Most importantly, investors got the sense that the hard and fast tariff limits imposed by President Trump could always be lessened if he deemed it necessary, i.e., calamities could always be avoided. Other good news was more fundamental. For one, corporate earnings reports were coming in better than expected, and strong earnings are the foundation of the stock market. Secondly, the inflation numbers are moderating, indicating that inflation is coming down and approaching the Fed's target of 2%. And thirdly, the credit markets are showing no signs of distress, meaning that yields on risky corporate credit (i.e., high yield or junk bonds) are not that much higher than the yields of government securities, and therefore investors are not overly concerned with a weakening economy and possible recession. Probably the most important piece of information for investors is that the bull market is intact and the uptrend remains in place. And when you're in a bull market, you should stay invested.

The technical picture continues to support higher stock prices ahead, as all of my technical analysts remain strongly optimistic. On May 29th, Ryan Dietrich talked about the incredible 27 day stretch for the S&P, from April 9th to May 16th, in which the index was up almost 20%, one of its greatest 27 day stretches ever. Other times this occurred, stocks were always higher a year later. "The market is telling us that it wants to move higher". He added that the market breadth is very strong and the advance/decline line is at an all time high, meaning that more stocks are advancing than declining. This is bull market behavior.

Dean Christians of Sentimentrader.com pointed out (5/30) that "a composite gauge of sentiment surveys has rebounded from an extreme pessimistic condition. Similar recoveries have preceded strong and consistent long-term gains in the S&P 500". He also wrote about the impressive showing of the Nasdaq (5/22), saying that the index "closed above its 10-day moving average for 21 consecutive sessions, a remarkable show of strength following a 6 month low. Similar occurrences have led to gains for the index 92% of the time over the following year".

And the folks over at Stansberry Research are also looking for more stock market gains ahead. Brett Eversole (May 21st) also referenced the huge rebound in the markets from mid April through mid May. He stated that each time this has happened in the past, it signaled a great buying opportunity. He then presented a table which showed that on average, the S&P is up 18.3% in 3 months, 30.5% in 1 year, 38.9% in 2 years, and 97.1% in 5 years. "There's one clear takeaway from this table. You really want to own stocks after a rally like the one we just experienced." *Jeff Feldman*