

Commentary:

Strong Market Moves with Simultaneous Fear and Greed

Aug. 15, 2024

I am sure almost everyone paying attention to the market is on the edge of their seat wondering about the continued strong move upward in the market today (and a few other days) following the triggering of SwanGuard. Thus I thought it would be a good idea to share some analysis and perspective we have shared with a few of our subscribing financial advisors who must then help calm their clients.

Here are a few more worthy talking points to consider regarding the market that may be helpful. They do not guarantee which way the market will go – but we must place a bet with the best odds possible given the many factors involved.

This is indeed a painful and stressful market day. Yesterday the treasuries were up and markets were comparatively flat – a story of continuing caution.

Today Walmart tells us everything is great (but I have previously heard it said that when this is true Walmart was just cannibalizing the higher-end stores).

Unfortunately, the price for getting out to preserve wealth when threatened so that we can sleep at night is neither free nor guaranteed. The object is to improve our long-term odds of doing well. But becoming a nervous day trader is just the opposite. It is experimentally easy to show that when risk is high, it is better to step aside rather than go play in the wicked surf.

When driving, if you lose control of the vehicle and go off the road do you take off your seatbelt before the car stops rolling because you are terrified of being in the car? Do you think this car has stopped rolling?

Take a look at the S&P500 chart below from 1999 and into 2001. Particularly look at Aug 1999. Does it look familiar – like today? Now look at Oct 2000. It is pretty much the same story. In both cases, they were off more than 10% from their highs and then rebounded by more than 7%. This is called a Bull Trap.

Please read this article <https://www.investopedia.com/terms/b/bulltrap.asp>



Is this the time to take off your seat belt and bet with conviction that the sky is still the limit?

I would like to share with you a text message series from this morning with Mark McCarthy of CMC Financial Group who has a long trader/analytics background on Wall Street. He has been suggesting that there is a massive short squeeze going on. This morning I was also feeling a bit concerned about the strong rally and sent him the text messages (right). You can see how he responded.

Yes, I did buy the book – it arrives tomorrow.

Perhaps the BOJ was the little prick that popped this tech bubble. Although the BOJ has backed off any further rapid aggressive moves – still, the Yen Carry Trade with an estimated \$20T to unwind, may still do so, but slower.

Stack the odds in your favor!

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