MARKET INTELLIGENCE REPORT

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Quote of the Day

"A successful man is one who can lay a firm foundation with the bricks others have thrown at him."

David Brinkley

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➢ SIGNALS, THIS WEEK, AND TRUMP 2.0

In last week's video, I pointed out that the signals we watch were still negative on US stocks and there was a potential turn date this week, Friday, March 14th (Pi day). These types of signals, turn dates, can lead to a reversal of a trend or an acceleration of the current trend. There is a second signal coming during the week of March 17th through month end. The direction of prices has been lower, so this week and possibly the entire month could see a lot of volatility. The VIX curve, which is in backwardation is positioned for stocks to reverse to the upside.

According to The Real Fly (@The_Real_Fly), there has been plenty of damage done to stocks over the past month, as of March 6th. 2,204 stocks are down more than 10%, 1,510 more than 15%, 1,025 stocks are down more than 20%, and 265 are down more than 35%. That is a lot of damage under the hood.

On top of the hood, SPX is off 5% from the high and Nasdaq off about 5% ytd. That makes our signals all the more interesting. VIX is in backwardation which is a buy, the question is does it get worse before it screams a buy? Sentiment indicators are at an extreme - bearish sentiment is very high. Corporate earnings estimates are coming down, but they remain in positive double-digit territory so far. Rates of change on a y-o-y basis have come way down from their highs and as far as monetary factors are concerned, I think the Fed will return to a form of QE. The mortgage market needs help and that would be good for the fixed income world to have a rally which would help the economy. Finally, the Equity Clock, shown as the Chart of the Day, at least for NASDAQ, is pointing to a seasonal low about now. Are seasonals right?

Having said all that, the two factors which have the market spooked are policy uncertainty and fears that tariffs / uncertainty / massive disruption in government spending, create a recession. The market has been pricing an economic risk which is hard to quantify and that is when overshoots occur - when the market cannot price the future because there is too much uncertainty. Right now, we have both factors in the US.

Trump 2.0

This administration looks quite different than Trump 1.0. There are a lot of very good people in the new administration. There are plans and strategic direction, which were not enough in the first round. I am often asked if there is a plan. In many areas, there are. Treasury is faced with how to deal with the debt and deficit, yet to stay out of recession. They have chosen to execute a pro-growth agenda with the private sector taking the economic lead rather than government spending being the driver of demand. Trade policy is changing and a realignment in where the US spends its defense Dollars, geographically and on the types of weapons systems / service branches which will gain new allotments and those which don't. Examples are the US considering a move of 35,000 US troops out of Germany to Eastern Europe. A major shipbuilding program was announced by Trump last week. Then there is DOGE.

I believe it is a good thing that an outsider is looking at government spending. There was an official DOGE type entity already in the government and it did little, for years. The market is trying to price whether DOGE is good for the US economy, profits and the fiscal problem which America has. It is putting a premium on companies and organizations which can adapt and do so quickly. US companies are generally good at that. Our friends at Guild Investment wrote about this and with their permission, the following comments they made recently, make this point, especially in the food industry.

> **Even in the face of significant political and economic disruption, many U.S. firms continue to demonstrate a remarkable ability to adapt to new conditions and profit from them. This resilience is a testament to the strength of the underlying innovation and adaptability of industries that have shown time and again that they can adjust to shifting consumer preferences and economic and political circumstances.**
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> **One current example of this adaptability comes from the food industry, which is at present facing a wave of disruption due to the widespread use of GLP-1 drugs like Ozempic. These drugs are significantly changing consumer behaviors, particularly with regard to food consumption. As detailed in a recent New York Times article, Ozempic and other similar drugs are altering how people engage with food, sometimes radically curtailing and changing their consumption patterns. While this presents a significant challenge to the food industry, it also presents an opportunity for innovation.** (1)

US companies will continue to innovate and the disruptive environment we are experiencing now is likely to continue in my view, for years. Less certainty and more opportunity look like the future of Trump 2.0. Have a good week!

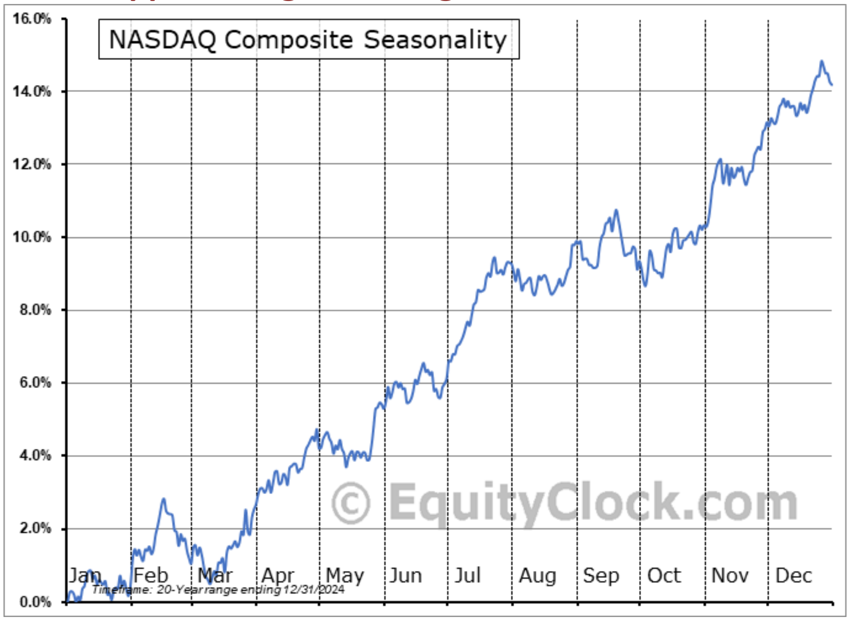
S&P 500 – A Liqiodity Gap Developing?:

Source: Bloomberg LP

Sources:
Bloomberg News / Bloomberg Data
CNBC
(1) Guild Investment Management: Geopolitical Shifts and Economic Realignment : Disruption and Opportunity, March 6, 2025

➢ CHART OF THE DAY

Low Approaching According to the Seasonal Pattern



Source: https://charts.equityclock.com/nasdaq-composite-seasonal-chart

Sources:
Equityclock.com. https://charts.equityclock.com/nasdaq-composite-seasonal-chart

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