

Nick: Good morning. And today is the, what is it? The 13th of April. There you go. Time is passing so fast. So what happened last week? We had CPI and PPI and CPI was definitely hotter than expectations. Super cool was actually very hot and none of the components really are enough to give the Fed any kind of confidence, which is what they're looking for.

That inflation is returning to 2% and PCE is going to be what is going to be comfortably higher than the Fed would wish it to be, because we had the PPI as well. And that really didn't provide us with that much comfort. Here we are. What do you think, Andy? Do you have a different interpretation?

Andy: Yeah, that was pretty much what happened on the data side. The auction data was weak. We had a couple of tail on the 10 year auction and the 30 year auction was discounted so heavily before it actually was issued that it, of course. It didn't actually clear that well, but of course rallied after that.

And then that takes us on to Friday where after a very strong rally in equities and gold on Thursday on the back of a slight bounce on bonds equity sold off very hard. And, the common wisdom is that this was a And probably something to this, but at least short term, the common wisdom is that it was related to hostilities in the Middle East and a a reaction by Iran to the attack it suffered during the week from Israel.

And we'll see But the reaction, which makes sense at the, from an intermediate from a short term standpoint, where equity sell off gold rallies, oil rallies, and bonds rally is actually the, not the best, not all classic wartime market reaction. So I think that's going to correct next week in some way.

And I don't think that was actually what was going on. With the market reaction, what do you think happened?

Nick: I agree with you. I think the market is pricing out one Fed cut. So basically what we have now as a stitch situation is that we have two cuts priced in for 2023, one in July and one in December, remember it's an election year, the Fed hates to be.

Seen as political, they might be political, but they hate to be seen as political and therefore there are unlikely to cut from July onwards. One cut in July, one in December, but what's interesting is that the market didn't just punt a cut into 2025. They just took out one cut in December. Out completely.

So the terminal rate went higher to me. That is probably enough for the time being. And the short end can't do very much worse. We are unlikely to get. Data next week, which would make the very short end do worse. And therefore I think we're now fairly priced in bonds for quite some time. I think of course we'll oscillate up and down, but for the time being for in the short term, say the next two or three weeks before the FOMC, we are fairly priced and we will probably do not very much as far as equities, my view is unchanged.

And that is that they are unlikely to do much worse than bonds. But what is happening is that we are going into earnings season, and the help that the equity market was hoping it was going to get from at least the very short end of bonds, i. e. that cuts would Levitate the long end and therefore they would help with the multiplier and the valuations is not happening.

In fact, the opposite is happening and therefore earnings need to be significantly better to justify this level of equities than they needed to be earlier. And we saw what happened on Friday when we had JPM. Earnings and they were very good earnings. Nothing wrong with them and the market took it down 4%.

So the market is looking for excuses, any kind of data number which misses ever so slightly in any single stock. That stock is going to get punished and punished by three, four, five, six percent, maybe even double digits, which tells me that even the equity market is going to find it very hard to rally above the levels that we saw on that CPI number.

We sent you an email, we sold gold and we sold equities on CPI on a bounce. And to tell you the truth, I felt Fairly stupid after that because the market refused to go down. It went down on Friday And I no longer feel stupid and I feel Very confident that those levels If seen again next week are sell levels for lower prices in both gold and equities but not much Okay, so I will go through some very good buy levels in both in my segment, but just so that you know what our view is, I think that we've seen the highs and we, the market will probably test lower levels in the weeks ahead, but not much lower.

And those levels are probably buys.

Andy: Yeah, I think with for this coming week, I think the important, and frankly for next week and into the week after ahead of the FOMC and QRA, there's really no data that's going to come as a, that, that is both primary, meaning important data, at least in the United States, European CPIs are going to come and that's going to potentially support bonds by supporting German bonds.

But The week ahead and the week the following week just don't have much primary data. The PCE data is essentially set in stone based on the CPI and PPI. It's going to come in at 0.28 core PCE which is 3.4 percent on an annualized basis and frankly just is too high for the Fed to get Confidence that the path of inflation is lower.

But that's known. And and the rest of the data, you might get some jobless claims stuff on Thursdays over the next couple of weeks, but again, secondary data. The basic picture is that, you might see some chop through the end of the month. I think chop with, no bid for duration, long term bonds and, continued pressure on that part of the curve and then earnings related action through on individual stocks with, again, a fairly high bar for.

Rallies meaning the earnings really have to be JP Morgan, really beat Wells Fargo, really beat city, really beat. And these stocks were in aggregate down quite a bit. So I think that's the message for the next couple of weeks, but it's also not the message that, Hey, we're going to, crash or anything like that.

And that the war is the, Activities in the Middle East are volatile, volatility creating, but aren't necessarily U. S. economy impacting or market impacting. Now we're going to give you all that you need to know going into the FOMC and the QRA, but that's for a later episode. But that's when we're going to start seeing any real pivot from either to stronger levels or to weaker levels in the market at the end of the week.

At the end of april

Nick: we are in complete agreement about what is likely to happen over the course of the next couple of weeks We don't need to make too many portfolio changes. We just need to give you levels to trade the ranges we would lighten up if the market went higher and we would actually add if the market went lower.

So that's about it and I will cover it all in my next segment.

Andy: Yeah, I just want to leave you with the idea that on a broad range of the broad view Is that long term bonds still have? Not much upside short term bonds are reaching a level where they're becoming attractive because the fed will ultimately cut in the future Equities are, reaching expensive levels and commodities for, and gold for right now are strong and it will take something for them to weaken.

Nick: Yep. Absolutely. That's about it. And we'll speak to you next week. Bye bye as we emailed you we reduced during the week the allocation to equities to about 35 And we reduced also in half the allocation to gold. So these are the current allocations I have put in some orders. We would be a seller of another five percent equity allocation on a rally in VTI to about 254.

50. I haven't actually input that order as a limit order but at that level 254. 50 to 255 we would be a seller of another five percent. There's 60 lots, 60 shares represents roughly five percent. And we would send you an email if GLD or SPX reaches the levels that I will now go through. And just so that you understand what we are looking for, we're looking for this kind of level to trade in the SPY over the course of the next two or three weeks.

We don't think it's going to be next week, but we will be Either a seller of puts or a buyer of equities, this 496. 65 or just higher. And in terms of GLD, all we're looking for is to start adding. When it's at these levels, IE 2 11 60 down to 2 0 9 11. Very unlikely that we fill this gap, but we would be a heavier by it down here and certainly this whole area is where we will reac, accumulate the 5% that we sold.

For probably another leg up, so I just wanted you to have these levels and to be aware of what our strategy is for the next couple of weeks. We don't think equities can go higher now. In fact, we think that any kind of a bounce to these kind of levels 515 is a cell and that's why we have the cell order in VTI and.

over the next three or four weeks, we would range like this and anywhere near this level, we will be adding to equities quite hard. I have added a finally a weekly performance chart and here I'm putting in all the weekly numbers and The charts of the performance and the volatility. So if anybody wishes to see what the volatility would be, if they actually leverage the account, all you've got to do is multiply these numbers by the appropriate leverage.

and you have it. So I just thought I'd do that for you so you can pictorially see what the maximum loss would be. That's about it. Everything else is updated. The broker statements are updated. They're all down here but you all know that. The monthly performance is also updated and we will continue to do our bit as we always have.

Thank you very much indeed and speak to you next week.