No-Load Mutual Fund Selections & Timing Newsletter

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Dear Subscriber,

Given the various market reactions, from oil (down), gold (down), domestic and international stocks (down), and the dollar (up), to the Fed's announcement about the global economy, the interest rate twist, and expectations, we see investors saying that cash yielding 0% with 0% chance of loss is superior to any sort of risk yielding X% but with the Y% chance of loss. But is that reasonable? I don't think so, but on the other hand, there is no hurry to try to catch the "falling knife". We may patiently wait.

Coupled with the Fed's assessment of a slowing economy, the thing that drew my attention the most was this:

"The Committee also decided to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013. "
-from Fed Statement-

They really don't expect much improvement for another year and a half? Thus the patience.

At the same time, as I've been noting the past month, the market has set up some positives and they are, right now, still intact. So, as to making changes, I won't make any now.

PORTFOLIOs

No changes at this point. I wouldn't chase bond yields lower by buying, but neither will I chase stocks lower by selling. I expect there will be better prices to do both later. After all, as far as positives go, the leading economic indicators came out today and are still moving up, suggesting a muddling ahead economy for the next 3-9 months. Likewise, housing prices rose, suggesting some stability there. However, if the positive divergences disappear, then raising more cash will be called for.

TIMING

Right now, the market is still setting up some positive divergences with the August lows. So, I expect a bounce to again develop. But the difference is rather than buy the selloffs, I expect to begin selling the rallies.

Stocks Intermediate-term bullish from neutral (we were in a bounce and still possible).
Long-term neutral (trend sideways at best).
Bonds Neutral
Gold Neutral

Thank you,

Steve McKee
Editor