Bert Dohmen's
FEARLESS ETF TRADER™
The Premier Advisory for Active ETF Traders

"Celebrating Our 47th Year of Guiding Investors Successfully"*

Issue # 90 – November 14, 2023
(Last Fearless ETF Trader sent: November 9, 2023)

MARKET DATA:

	LAST	CHANGE	%CHG
DJIA	34827.70	489.83	1.43
Nasdaq Composite	14094.38	326.64	2.37
S&P 500	4495.70	84.15	1.91
DJ Total Stock Market	44659.71	976.90	2.24
Russell 2000	1798.32	92.82	5.44
NYSE Composite	15732.67	329.52	2.14
Barron's 400	982.93	35.42	3.74
CBOE Volatility	14.16	-0.60	-4.07

	NYSE	NASDAQ
Issues		
Advancing	2,668	3,429
Declining	254	956
Unchanged	34	146
Total	2,956	4,531
Issues At		
New Highs	120	139
New Lows	20	162
Share Volume		
Total	4,754,643,267	5,397,852,574
Advancing	4,275,280,031	4,263,942,593
Declining	460,213,653	1,116,670,848
Unchanged	19,149,583	17,239,133

Source: wsj.com

MARKETS:

Today's surprise rally was caused by a massive short squeeze, fueled by the HFT (high frequency trading) and algo trading outfits with some help from Wall Street.

We assume that this rally serves the profit motive of HFT, while at the same time helping Wall Street to sell large positions in underwater stocks before year-end. There just wasn't enough volume the past weeks to accomplish that. To unload big positions, they need to entice strong buying.

Now the short-covering, helped along by the bulls, is providing that volume. Today once again the biggest gainers were the most highly shorted stocks, meaning the worst stocks fundamentally.

However, that doesn't mean the rally won't last longer than typical bear market rallies. We expected high volatility from now until year end and now we are getting it. But with today's strength, this one is destined to last longer than the typical short squeeze.

The given reason for today's sharp rally is allegedly the lower CPI numbers.

CPI REPORT TODAY: Today's reported decline in the important CPI components was marginal. However, it provided an excuse for the HFT to rally the market and squeeze the shorts.

For example: Headline CPI for October was **3.2% vs 3.3% expected**. Month over month CPI was unchanged **(0.0%), vs expected 0.1%.**

The chart below shows the Headline CPI decline since the June peak. We had expected a decline for October (see our latest ***Wellington Letter, published November 12th***) because of energy and shelter. The chart below suggests that bottom in the CPI may now being formed (blue line). After New Years, we expect inflation to rise again.

The Core CPI for October was **up 0.2%** month-over-month vs the **0.3%** estimate and down from the **0.3%** increase in September. The year-over-year number dropped **from 4.1% to 4.0%.**

Does anyone really think these small changes from the expected CPI numbers could fuel a new bull market? Therefore, today's rally was short covering, not investment buying. However, a giant short squeeze can last much longer than the bears would like.

Nothing has changed because of the highly suspect CPI numbers. Remember, they are issued by the BLS (Bureau of Lying Statistics). Excuse us, it stands for "Bureau pf Labor Statistics." We always wondered why the BLS issues the inflation numbers, when its name is "Labor."

The "Shelter component" of the CPI is a big 32% of the CPI numbers, yet it is measured in ways that don't really indicate the true change in shelter costs. The shelter index increased 0.3% in October, after rising 0.6% the previous month. That is a big decline.

Used cars and truck prices fell a hefty **0.8 percent** in October, or at **a 9.6% annual rate** (without compounding).

MARKET ACTION: The Russell 2000 soared over 5.4% on its best day of the year, breaking above first resistance and getting back to its September 29th high. That should be an important signal.

This index of course includes the troubled regional banks, which are heavily shorted due to the huge rise in interest rates which makes their bond portfolios very vulnerable. Regional banks had a huge short squeeze today, reportedly due to to the anticipation of no further Fed rate hikes given the slowdown in CPI. The bond market looks like a further drop in bond yields is ahead.

The NASDAQ Comp was the second-best performer although it was far behind the Russell 2000, bouncing 2.4% for its best day since March. The S&P 500 climbed 1.9% but was stopped by resistance from its mid-November highs on its chart.

The DJI trailed yet still posted a 489-point gain (+1.4%). As we often point out, when the Russell is the strongest, it's typically a positive signal that stocks should continue to rally.

Volume confirmed the positive signals nearly 4.8 billion shares traded on the NYSE today. That's **a 40% jump in volume from yesterday**. Additionally, the NYSE had a 90/90 day with **advancing volume comprising 90% of the total and 90% of all stocks were advancers**. These are heavily positive and show just how broad-based today's rally was. Therefore, these are a bullish signals.

The VALUG Index, an equal weighted broad market index we prefer to use, also gave good clues of a further up-move as it **bounced nearly 4% today**. That was its biggest single-day gain in just over 1 year (November 10, 2022, when the VALUG soared 6%).

***Sidenote: Interestingly November 10, 2022 was the date that the BLS reported "cooler-than expected" inflation for October 2022.** Is the market playbook from last year being used again this year?*

Well, after that October 2022 CPI report, stocks rallied until December 1st, had a mild pullback, then had one more push higher in mid-December before retreating into early January. That was followed by the banking crash in March 2023.

Keep this in mind as we proceed in the final trading days and weeks of 2023.

Another positive sign today came from the fact that the Equal Weight S&P 5000 (SPEW Index) jumped 2.8% today, outperforming its cap-weighted counterpart (S&P 500).

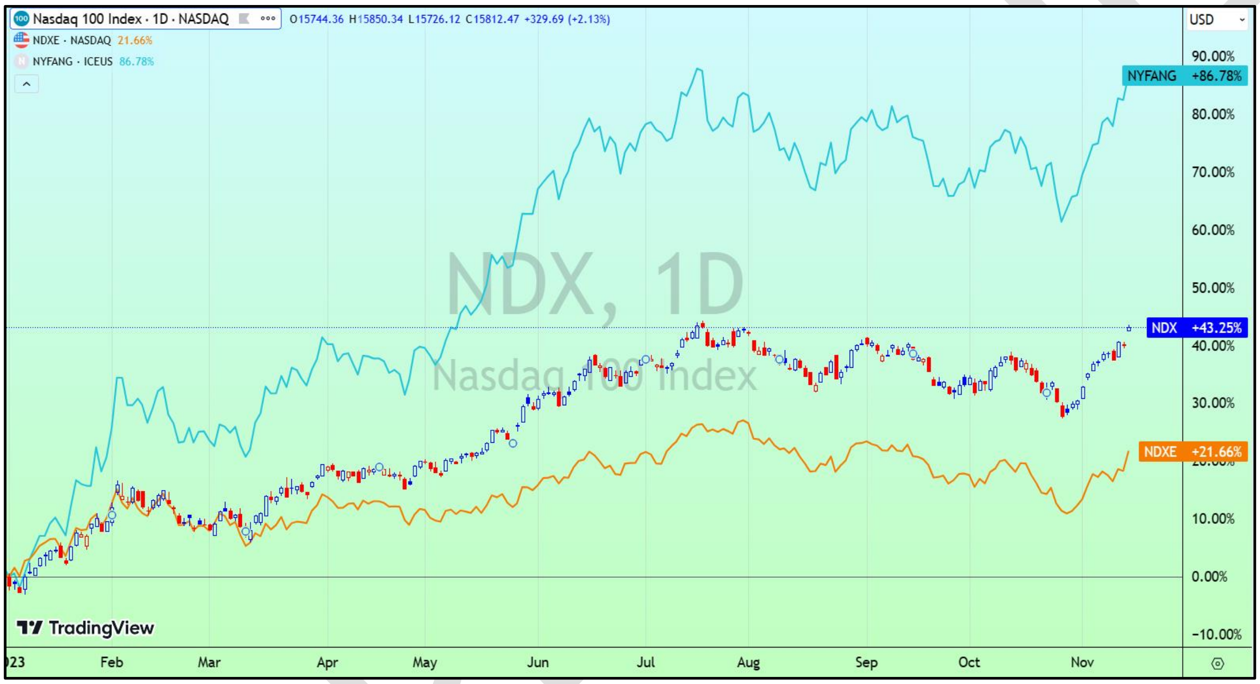
On the daily chart below we compare the SPEW (candlesticks) to the traditional **S&P 500 (black line)** on a year-to-date basis. Notice the big outperformance of the cap-weighted S&P 500, which is up nearly 17% so far, while the equal-weighted S&P 500 is up just over 2% (more on the SPEW Index later on).

The same is seen when comparing the Equal Weight NASDAQ 100 (NDEX) versus the cap-weighted NASDAQ 100 (NDX). Of course, the mega-cap stocks (NYFANG Index) have been the biggest contributors to NASDAQ all year long, although that wasn't true today.

Below is a daily chart comparing the NYFANG (turquoise line) Index to the NASDAQ 100 (candlesticks) and Equal Weight NASDAQ 100 (orange line) year-to-date.

Notice the continued big outperformance by the NYFANG Index, which is **up nearly 87%,** while the NASDAQ 100 returned only half that with roughly a **43% gain** and the Equal Weight NASDAQ 100 returned less than half of that with a **22% rise**.

The **"Magnificent Seven"** so often mentioned in the media and listed below are almost identical to those included in the NYFANG: *Meta Platforms Inc. (META), Apple Inc. (AAPL), Amazon.com Inc. (AMZN), Netflix Inc. (NFLX), Microsoft Corp. (MSFT), and Alphabet Inc. Class A (GOOGL), and NVIDIA (NVDA).*



Some experienced traders just buy those stocks and sit back.

The question now is whether there will be a big catch-up move in the broader group of stocks (i.e. non-mega cap tech stocks) or if the Magnificent 7 will break out to a new record high (NYFANG is currently at strong resistance from its July high).

The probability is high for these 7 stocks to break out by year-end as money should flow back into these stocks. They have been winners all year. Money managers will love to show them to their clients in their portfolios at year-end.

We could also see the broader market continue to rise but the probability of a continued powerful thrust higher, like we saw today, is not great. The broad market as measured by the "SPEW" is up just over 2% this year.

Therefore, the leaders will likely continue to be leaders.

YEAR-END RALLY BACK ON?: The year-end rally is now back on the table. Big money managers who are positioned with high cash levels thinking that would look good for their clients to see at year end will now have to buy the biggest gainers in order not to look like they missed a move.

Eventually the rally will attract investment buying as money managers can't afford to be left behind. However, we would not go overboard because at this rate, stocks will become very overvalued again. For now, let's just go into year-end and then take another look.

The charts show the big rally today. Although we now see a number of indices and big stocks back at resistance levels, a strong market will eventually break above them. When they do, it would suggest that the markets will be attractive until year end.

Let's now look at the 2-day chart of the Equal Weight S&P (SPEW), which is much more important than the regular S&P 500 as we explained earlier.

It had a big gain today of almost 3%. The red line resistance area that was reached late today is the 50% retracement of the prior decline from this year's high. It may have a brief pullback now, but we think it will break through and turn the skeptics bullish.

Let's look at correlations with other markets, such as the US dollar. Here is 2-day chart of the dollar index ETF (UUP, candlesticks) vs the NYSE COMP (blue line). The two have an inverse correlation. The big down move in the UUP today (big red candle on right hand side) suggests there is more of a decline ahead in the dollar. That should correlate with a rise in the stock market.

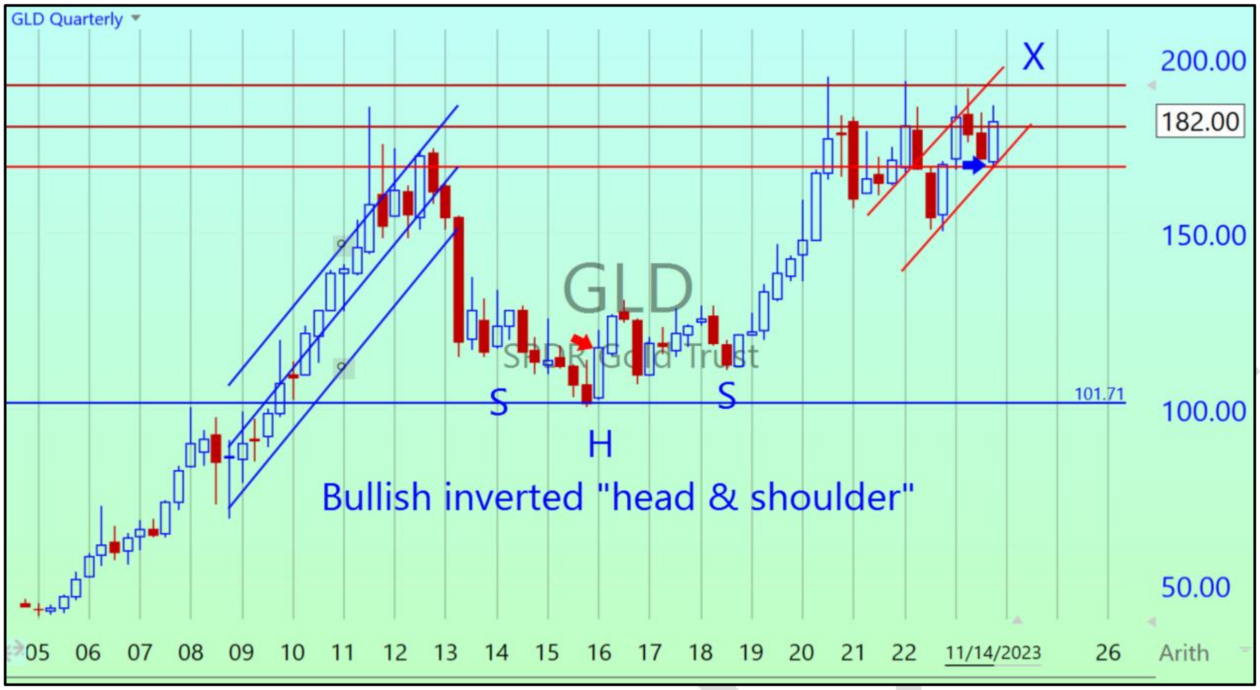
Furthermore, the dollar decline is a function of the decline in interest rates, especially in bond yields. That should continue through year-end, giving banks that have big unrealized losses in the bond portfolios a lift as bond prices rise. That would mean the stock indices will continue to rally.

Inflation hedges like metals, gold, and silver should do well, especially as the danger of a sharp plunge in the US stock market is now on the backburner. As we wrote recently, we believe that Gold will be at a new record high soon.

Below is the very long-term quarterly chart of the ETF for gold, GLD going back to 2005. The long-term chart suggests that perhaps our forecast made in about 1980, when we predicted a 20-year bear market in gold from that time, would be followed by a 30-year BULL MARKET in gold.

Lo and behold, the bear market lasted 20-years, to the ear 2000. Now we should be in the 30-year bull market that should last until about 2031. Cycles are usually not that accurate. They can deviate by 10-20%. But the gold cycles so far were right on target.

A measured technical move would give us an eventual target for GLD in the 300 area over the next years (i.e. $3000/oz in gold prices).



The new positive environment may also trigger the next bullish period for anything related to AI. This could be the launch for a very speculative market period. The Fed will be able to relax a little, thus debt capital should become more available, even for speculation.

CONCLUSION: Our work suggests that the engineered year-end rally has started. It may even go beyond year end and into early 2024. All the negatives will be forgotten for a while.

Short sellers will reluctantly cover an increasing number of their short positions, especially those with the worst fundamentals. It is human nature not to close out early using hope as a tool.

The next positive will be improved relations with China when Xi Jinping meets Biden in San Francisco tomorrow. China will do everything to improve relations because of the very poor business climate in China. FDI (foreign direct inflows) in China dropped a big 8% this year. That is big. They need business.

Thanksgiving is usually positive for stocks. Then comes December. As we wrote recently, until year-end, the volatility we expect makes it much better to be lightly exposed. Putting a good part of the portfolio into a super-safe 5.5% yield in US T-bills would be prudent.

Those who can take more risk can have some positions in the bullish sectors. Putting money into funds or non-leveraged ETFs would be lower risk/stress. Or consider the components of the Magnificent Seven.

CURRENT POSITIONS:

Redacted – Members Only Access

CONCLUSION:

We have been very cautious the past weeks in our positions and now have the cash without having big exposure during the recent volatility. Now that cash can be utilized. But we don't have to jump in right away.

Wishing you successful trading,

Bert Dohmen and team

Announcement: Due to the recent high volatility in the markets, we are receiving many requests for consultations. If you are interested in talking one-on-one with Mr. Dohmen (impersonal analysis and forecasts only, not related to specific securities or investments) **please click this link, or send an email to client@dohmencapital.com with subject line "Consultation Request".**

Once received, we will reply back with available time slots. Payment must be made in advance (credit card only). Consultations are in 15-minute increments at the rate of $600 per 15 minutes.

IMPORTANT NOTE: we will publish a new issue only when:

1. There is a change in our positions, or
2. There is a new recommendation, or
3. There is an important event we consider significant to our trading strategy

This will also make it less tedious for our valued subscribers. Time is precious for all of us.

We hope you will support us on this clarification of our publishing schedule. We look forward to continuing to help you become a better, more informed, and more successful trader.

DISCLAIMER for ALL POSITIONS: We (Dohmen Capital) usually try not to have positions in the stocks mentioned and instead go into the same sector with a similar stock for ourselves. This is to avoid any appearance of conflict.

However, if there are not enough stocks with good volume and fundamentals in the sector so that we have an alternative for our own accounts, we may have positions in any of the stocks mentioned in the services from time to time. Those buys and sells may be different than the suggestions in this service.

Important: Always remember that the ultimate decision of what to buy, sell, and sell short is up to the individual. Our information, forecasts, and securities are merely suggestions. You should always research all investment opportunities yourself.

HOW TO CONTACT US:

The best way to contact us is via e-mail. Your e-mail will be answered, usually within 24-48 hours. office@dohmencapital.com

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WHAT "AREA" MEANS IN Fearless ETF Trader™:

When I give advice to buy or sell in certain price area, I do it so that not all of our orders are sitting at exactly the same price. By "area", I mean a range. Our rules of thumb are as follows:

[< than $15] = ± 0.25; [< than $30] = ± 0.50; [< than $50] = ± 0.75; [< than $100] = ± $1.00; [> than $100 ± $1.50.

BOOKS by Bert Dohmen

PRELUDE TO MELTDOWN ($15)

The truth behind the global financial crisis of 2008 REVEALED! This book may save you a fortune! **Bert Dohmen**, who warned at the beginning of 2008, that starting in **September '08** the global financial markets would teeter on the brink. (go to http://dohmencapital.com/PreludetoMeltdown.html)

FINANCIAL APOCALYPSE ($25)

Do you want to know where the global markets are likely to go over the next several years and how to interpret the clues for yourself instead of listening to the pundits? Here is the book that will show you. It is a step by step account of the 2008 financial crisis, with charts, technical indicators, and credit market analysis, which gave us all the clues that in the fall of the year we would encounter something similar to 1929. This book is the road map for the next global crisis. It's a collector's item and can be used as a reference book to see what Wall Street tells investors to keep them in the markets even while they are selling themselves.
(go to http://bookapocalypse.com/)

THE COMING CHINA CRISIS (Edited Edition) ($25)

Bert Dohmen's SPECIAL E-book on the coming China Crisis presents the case that China will produce a Tsunami throughout the global economies. China was the locomotive of the globe, the financing mechanism for the immense US debt, the source of incredible demand for commodities and oil, and the economic power of Asia. That is changing now.
(go to http://dohmencapital.com/thechinaCrisis.htm)

THE CHINA CRISIS IS HERE ($20)

In this special follow up e-book to the prescient *The Coming China Crisis*, Bert Dohmen explains the true China credit crisis actually started in 2014, when overnight interest rates tripled from one day to the next. That was quickly covered up with massive credit creation by the government. The result was an immense stock market bubble. All bubbles eventually implode and that is exactly what happened to the "China bubble," which burst in June 2015. Wealth equivalent to half of China's GDP was wiped out in a matter of weeks. (go to http://dohmencapital.com/the-china-crisis-is-here/)

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