

OnTrack Report

www.ontrackreport.com

850-934-6300

Market Overview

	Short Term	Intermediate Term	Long Term	This table summarizes my subjective assessment of the major trends that shape the market environment. The trends are based on current closing prices and are not meant to be predictive. Trends tend to continue until something changes, so recognizing current trends helps us recognize changes in the market environment.
Large Cap Stocks	Uptrend	Uptrend	Uncertain	
Mid-Cap Stocks	Uptrend	Uncertain	Trading range	
Small Cap Stocks	Uptrend	Uncertain	Trading range	
Junk Bonds	Uptrend	Uptrend	Uncertain	
Treasury Bonds	Uptrend	Uncertain	Downtrend	
Commodities	Downtrend	Trading range	Uncertain	

The U.S. stock and bond markets are in strong uptrends as we close November and enter the final month of the year. Market breadth continues to improve and the Junk Bond Indicator is positive, both of which point to a positive market environment. No one knows how long the current trends will last, but investors should take advantage of the positive market environment while they can.

The Personal Consumption Expenditures (PCE) Price Index is often called the Fed's favorite measure of inflation. The latest report is due out on Thursday and the PCE Price Index is expected to have risen 0.1% in October, down from 0.4% in August and September. Deviations from expectations have the potential to move markets in the short term.

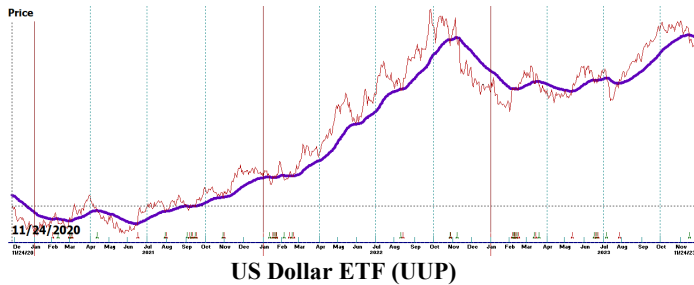
The recent drop in Treasury yields has driven stocks higher. Treasury yields have fallen because bond investors expect the Fed is done raising rates for this cycle. Inflation is not yet down to the Fed's 2% target, but the economy is expected to continue to slow and bring down inflation without further rate hikes. What remains unclear is if the Fed will lower rates in time to engineer a soft landing and avoid a recession. The market has priced in a soft landing, but a recession could move the stock market significantly lower. The outlook for bonds is more promising since the Fed would likely lower interest rates to stimulate the economy in a recession, and lower bond yields correspond to higher bond prices.

For now, I recommend a fully invested posture for both aggressive and conservative investors.

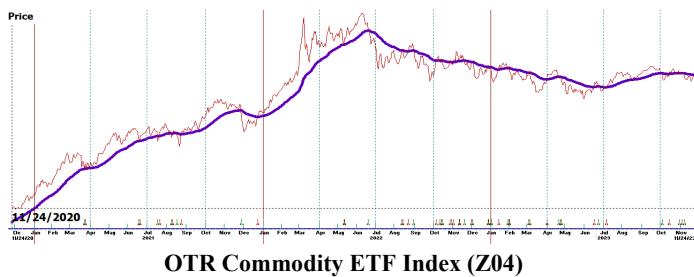
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Business Cycle Indicators (3-Year Charts)

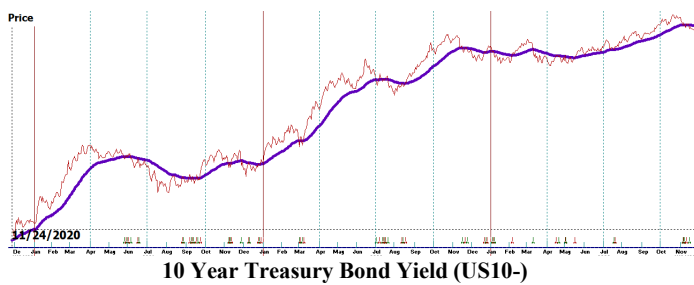
An analysis of the business cycle is useful as a guide to the macroeconomic environment. To emphasize that role and to avoid a focus on short-term trends that usually have no business cycle relevance, the 50-day moving average is emphasized as a bold line in the charts below to shift focus to the longer-term trend.



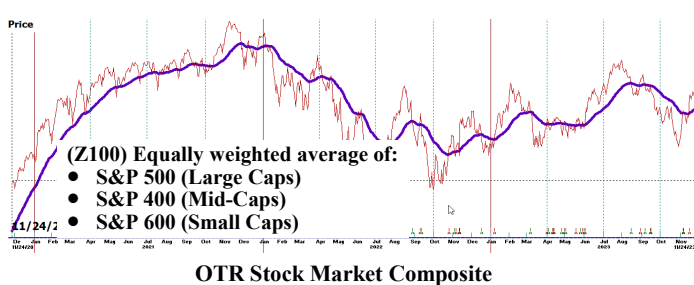
The dollar is in a short-term downtrend and a long-term uptrend.



A declining dollar provides a positive bias for commodity prices. Despite this positive bias, commodities are in a short-term downtrend which reflects easing inflationary pressures.



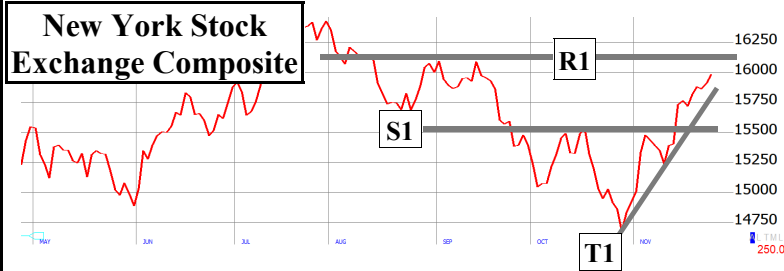
The 10-year Treasury bond yield peaked in mid-October. If the Fed is done raising interest rates, this peak could mark the beginning of a long-term downtrend in Treasury yields and a long-term uptrend in Treasuries.



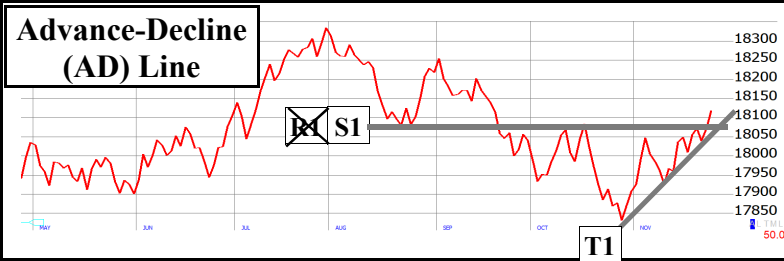
Stocks have continued the rally that started off the October low. The 50-day moving average of the OTR Stock Market Composite is turning up.

Business Cycle Summary -- The state of the business cycle is not clear in large part due to the uncertainty of whether high interest rates will push the economy into a recession or if the Fed will be able to engineer a soft landing.

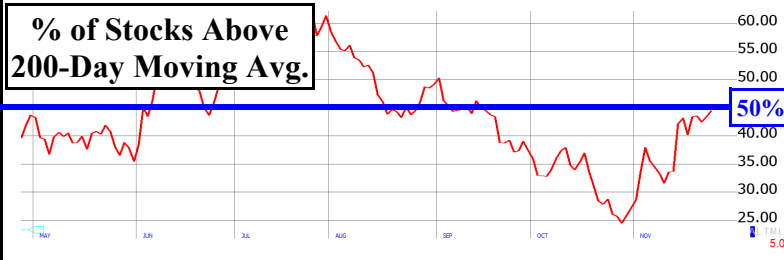
Market Environment (7-Month Charts)



Trendline T1 defines the strong uptrend in the New York Stock Exchange (NYSE) Composite. The NYSE Composite surged through the October high marked as support S1 and is now approaching the September highs marked as resistance R1.



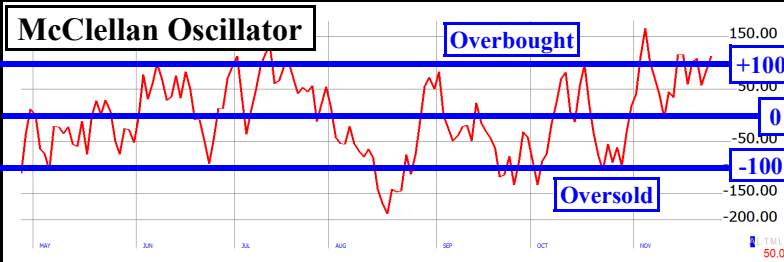
The NYSE AD Line moved above resistance now support S1 but the pattern is not as positive as the NYSE Composite.



After a four week surge in stocks, the percentage of stocks above their 200-day moving average (in a long-term uptrend) is just now approaching the neutral 50% level.



The percentage of stocks above their 40-day moving average (in a short-term uptrend) is at a positive 65%.



The McClellan Oscillator is bouncing between the +50 level to just above the +100 level. This pattern is not unusual when stocks are trending higher.

The charts above are from the Worden TeleChart Charting Program (www.worden.com).

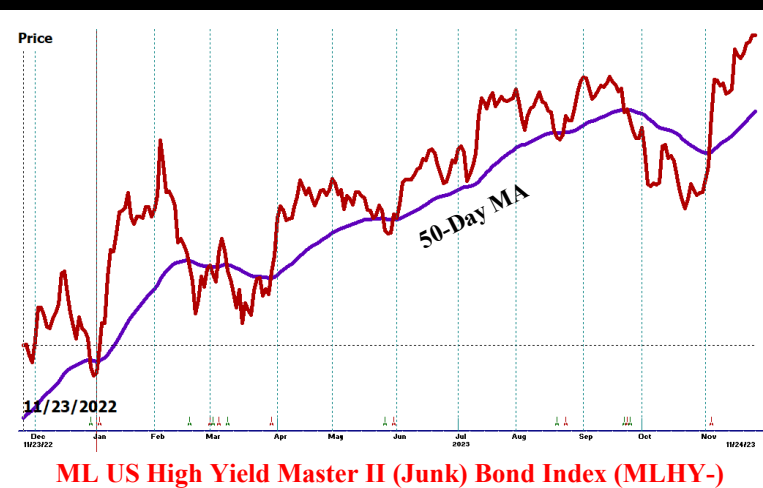
The strategic (long-term) market environment continues to improve and the tactical (short-term) market remains positive.

Junk Bond Market Indicator (1-Year Charts)

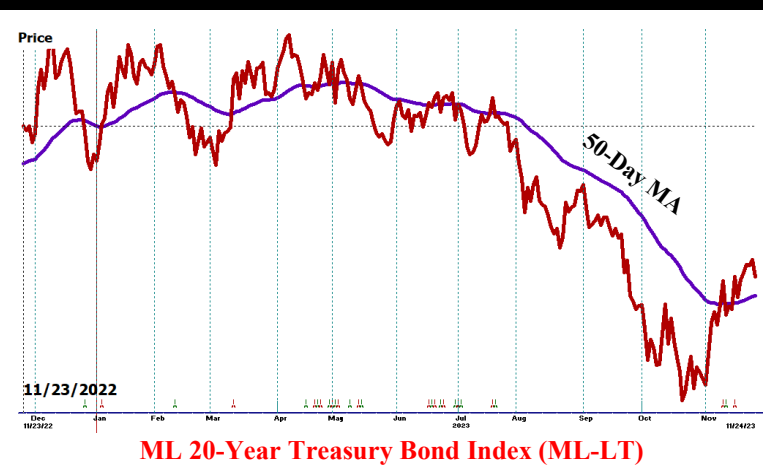
Guidelines for using the junk bond trend as an aid to making investment decisions:

- When the Merrill Lynch Bank of America High Yield Master II Index (symbol MLHY– in FastTrack, referenced as the Junk Bond Index in the OnTrack Report) is trending up, the market environment is favorable for junk bonds.
- When the Junk Bond Index is trending down, the market environment is unfavorable for junk bonds.
- When the trend of the Junk Bond Index is uncertain, the market environment is uncertain.
- When the market environment is favorable for junk bonds, consider long positions in aggressive stock funds and junk bond mutual funds. In this environment, the use of leverage may be appropriate for some investors.

When the market environment is unfavorable for junk bonds, consider cash (money market funds), defensive stock funds, Treasury bond funds and other bond funds that tend to move in sync with Treasury bonds.



The Junk Bond Index is trending up above an uptrending 50-day moving average.

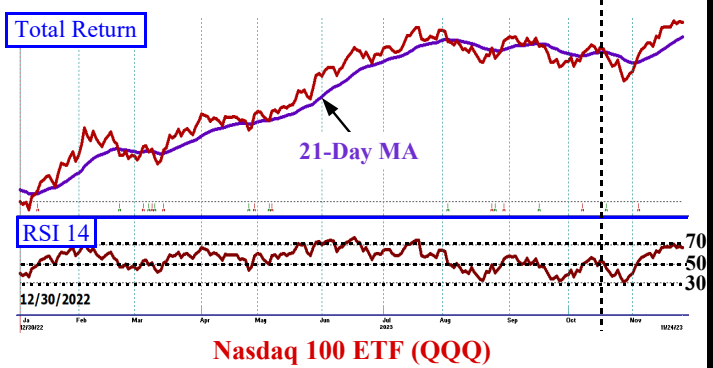
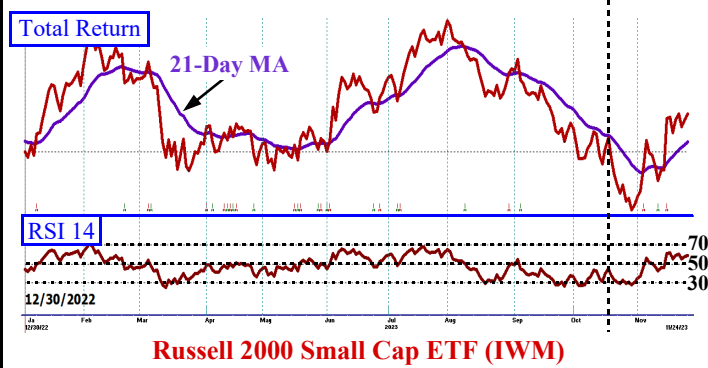
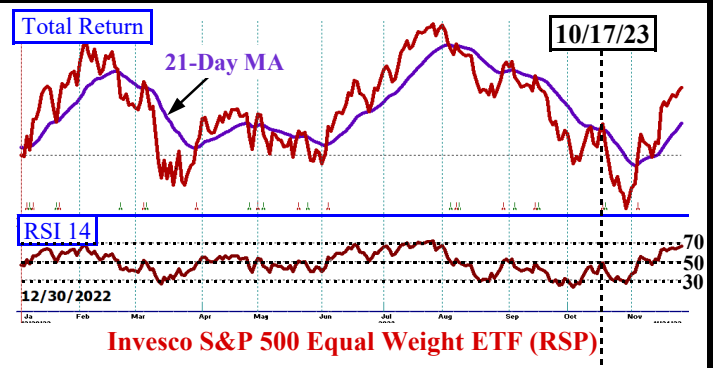


The Long-Term Treasury Bond Index is trending up as bond investors anticipate an end to the Fed's rate raising cycle. This trend reflects the improving outlook for bonds and is not a flight to safety.

The Junk Bond Indicator is decisively positive, indicating a positive environment for stocks and economically sensitive bonds.

Stock Market Indices (Year-to-Date Charts)

Symbol	Name	UI	MDD	TR	Ann	UPI	Trend	Comments
QQQ	Invesco QQQ ETF	2.76	-6.66	5.8	69	21	▲	Intermediate term uptrend.
DIA	SPDR Dow Jones Industrial Avg ETF	1.82	-4.59	4.3	49	21	▲	Intermediate term uptrend.
SPY	SPDR S&P 500 ETF	2.51	-5.81	4.4	50	16	▲	Intermediate term uptrend.
RSP	Invesco S&P 500 Equal Weight ETF	3.09	-6.36	2.9	31	7	▲	Intermediate term uptrend.
IWM	iShares Russell 2000 ETF	3.89	-7.28	2.5	26	4	▲	Intermediate term uptrend.
MDY	SPDR S&P Mid-Cap 400 ETF	3.85	-7.35	2.1	21	3	▲	Intermediate term uptrend.

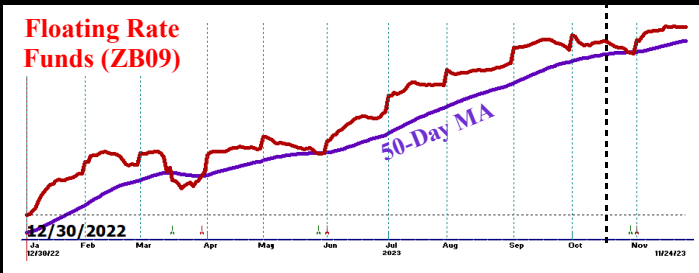
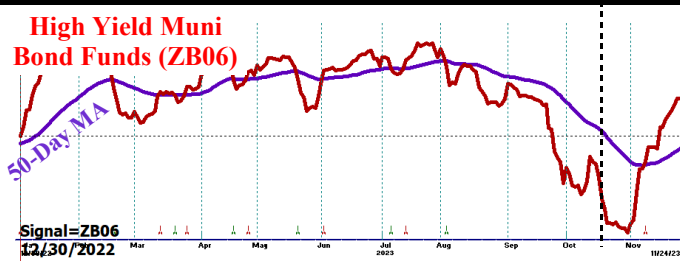
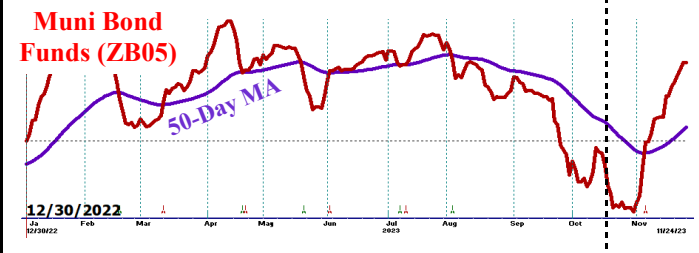
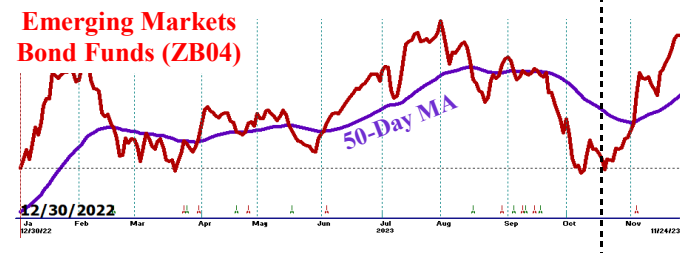
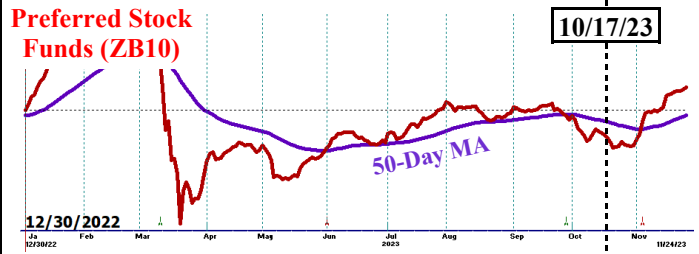
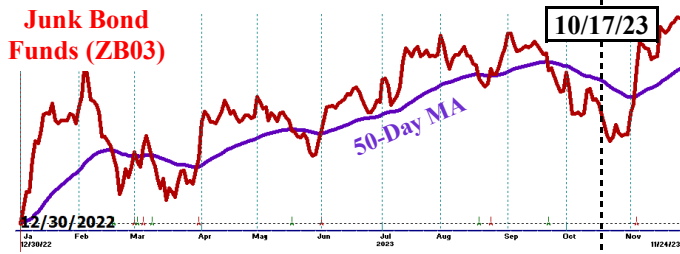


The stock index ETF charts above cover the year-to-date period. The calculations for the table are for the period since 10/17/23, the October market peak. Negative UPI values are set to zero and the table is sorted by UPI with a secondary sort by MDD.

The stock market is in a broad uptrend. All six major stock index ETFs are above their 21-day moving average which serves as a good indicator of trend when markets are trending strongly. Although in steady uptrends, small and mid-cap stocks continue to underperform the other major market indices.

Bond/Income Fund Charts (Year-to-Date Charts)

Symbol	Group Name	UI	MDD	TR	Ann	UPI	Trend	Comments
ZB04	Emerging Markets Bond	0.29	-0.99	5.50	64.8	192	▲	Intermediate-term uptrend.
ZB10	Preferred	0.30	-0.70	3.76	41.2	103	▲	Intermediate-term uptrend.
ZB12	Income Funds	0.18	-0.45	2.40	24.7	80	▲	Intermediate-term uptrend.
ZB05	Muni Bond	0.35	-0.74	3.51	38.0	79	▲	Intermediate-term uptrend.
ZC01	Core Funds	0.07	-0.28	1.49	14.9	71	▲	Intermediate-term uptrend.
ZB02	Corporate Bond	0.38	-0.91	3.26	34.9	65	▲	Intermediate-term uptrend.
ZB03	Junk Bond	0.38	-0.81	3.10	33.0	61	▲	Intermediate-term uptrend.
ZB06	High Yield Muni Bond	0.71	-1.46	4.42	49.7	56	▲	Intermediate-term uptrend.
ZB08	Mortgage Backed Bond	0.50	-1.05	3.21	34.3	48	▲	Intermediate-term uptrend.
ZB01	US Treasury Bond	0.39	-0.82	2.66	27.7	46	▲	Intermediate-term uptrend.
ZB07	Inflation Adjusted Bond	0.33	-0.82	1.83	18.4	26	▲	Intermediate-term uptrend.
ZB11	Securitized Bond	0.19	-0.39	0.23	2.2	0	▲	Intermediate-term uptrend.
ZB09	Floating Rate Loans	0.21	-0.58	0.70	6.8	0	▲	Intermediate-term uptrend.



The bond/income fund group charts above cover the year-to-date period. The calculations are for the period since 10/17/23 to provide a direct comparison with the stock index ETFs on page 5. Negative UPI values are set to zero, then the table is sorted by UPI with a secondary sort by MDD.

Both stocks and bonds are in a broad uptrends. Bond groups have better risk-adjusted returns (UPI), but stocks have greater upside potential. Many bond groups surged higher when Treasury yields began to drop. ZB09 is still in a steady uptrend, but other bond groups now provide more upside potential.

Model Portfolios

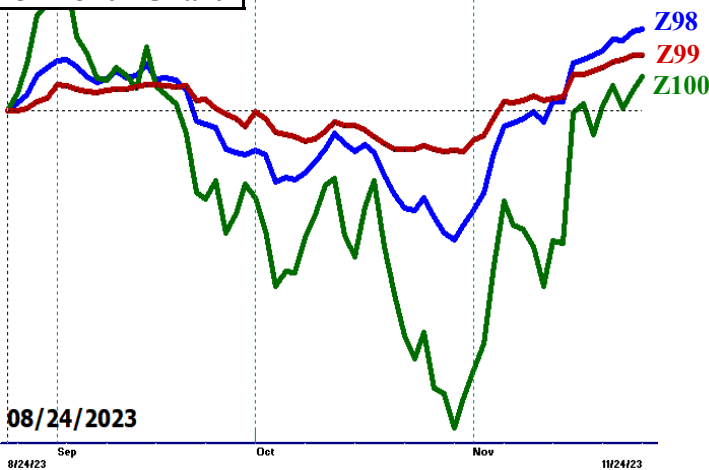
Symbol	Group/Fund	Conservative Allocation (Z98)	Aggressive Allocation (Z99)	Date Added	FastTrack Family
Z26	Large Cap Stocks	0	35	11/13/23	CAP-BIG
Z28	Small Cap Stocks	0	15	11/06/23	CAP-SMALL
ZB03	Junk Bonds	5	0	11/06/23	BD-JUNK
ZB04	Emerging Markets Bonds	5	0	11/06/23	BD-EMERGE
ZB06	High Yield Muni Bonds	15	20	11/13/23	BD-MUNIHIYLD
ZB09	Floating Rate Bonds	25	0	04/03/23	BD-FLOAT
ZB10	Preferred	15	30	11/06/23	BD-PREFERRED
ZC01	Core Funds	35	0	08/31/20	N/A
	Money Market	0	0		

Positions added or increased this week are highlighted with a green background. Positions deleted or reduced this week are highlighted with a blue background. Positions on my sell watch are highlighted with a tan background.

Always check fees, expenses and restrictions before buying any mutual fund!

Symbol	Name	UI	UPI	MDD	TR	ANN	COR	SD
Z98	Conservative Model	0.99	1.6	-1.9%	1.6%	6.4%	85.2%	0.9%
Z99	Aggressive Model	2.35	2.0	-5.0%	2.3%	9.5%	91.4%	1.8%
Z100	IOT Stock Market Composite	6.37	0.0	-12.0%	1.0%	3.9%	N/A	4.8%

3-Month Chart



Z100 is the IOT Stock Market Composite used in the chart on page 2. The chart and the calculations are for the past 3-months.

No changes were made to the model portfolios which are performing as expected during strong uptrends. Both models are trending up along with the overall stock market. The Conservative Model has less volatility than both the overall stock market and the Aggressive Model, but has a smaller rate of return.

The plots of Z98 and Z99 are not historical records. They are simply plots of current positions, including cash, calculated as if those positions had been held for the entire period of the chart at today's allocations. Any change in positions or allocations will change the entire charts. The primary purpose of the Z98 and Z99 charts is to show the approximate level of risk built into the models.

My Point

As announced in previous reports, the OnTrack report will cease to be published as a weekly newsletter at the end of the year, but will continue as a free monthly newsletter throughout 2024. Current subscribers will continue to receive the monthly newsletter unless you opt out by contacting Beth at 850-934-6300. Your friends and family can subscribe to the monthly newsletter at no cost starting in the new year by contacting Beth, but as you know, a working knowledge of FastTrack aids in fully understanding the OnTrack Report.

Current subscribers are due a refund for the period of their subscription that extends into the new year. Similarly, those subscribers who paid for the pro version of OTR-Edge will also be due a refund since the pro version will be available free to all monthly subscribers. We expect statements to be sent this week notifying subscribers of the amount of their refunds. If you concur with our calculations, no action is required. You will receive a check for the refund amount near the end of the year.

Other administrative matters including Dixon's work with FastTrack to take over maintenance of OTR-Edge will be discussed in future reports.

The Bottom Line

General - Both stocks and bonds are trending up. Market breadth has improved and the Junk Bond Indicator is positive. Investing always involves risk, but investors should take advantage of current market conditions while they last.

Conservative Investors - Stay fully invested in low volatility bond and income mutual funds.

Aggressive Investors - Stay fully invested in a combination of uptrending broad market ETFs and low volatility bond and income mutual funds. Adjust the allocation to each depending on your tolerance for risk.

Recommendations are given for two broad categories of investors based on investing style and tolerance for risk—conservative and aggressive. Most investors fall somewhere in between these two categories, and sometimes shift their investing style as their financial situation and perception of market conditions change. The recommendations above are not given for any specific investor. It is your responsibility to determine what investing style best fits your individual needs, and to blend and tailor the recommendations above to fit your specific needs.