

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	Uptrend	Trading range	
Small Cap Stocks	Uptrend	Uptrend	Trading range	
Junk Bonds	Uptrend	Uptrend	Uncertain	
Treasury Bonds	Uptrend	Uncertain	Downtrend	
Commodities	Downtrend	Trading range	Uncertain	

Last week's two key reports showed the economy grew at an annualized rate of 5.2% from July through September and inflation (core PCE) dropped from 3.7% in September to 3.5% in October. The stock market had a positive response to both reports and continued the November uptrend. Decreasing inflation and the expectation that the Fed is done raising rates for this cycle pushed Treasury yields lower. The bond market continued its move higher since bond prices move in the opposite direction of yields.

The current environment is positive for stocks, but it is not yet clear if the current trends are bear market rallies or the start of a new bull market. The Fed's high interest rates are expected to significantly slow the economy in Q4. If the slowing economy leads to a recession, the current uptrend in stocks is likely only a bear market rally. Alternatively, if the Fed is able to engineer a soft landing, the bull market in stocks may have already begun.

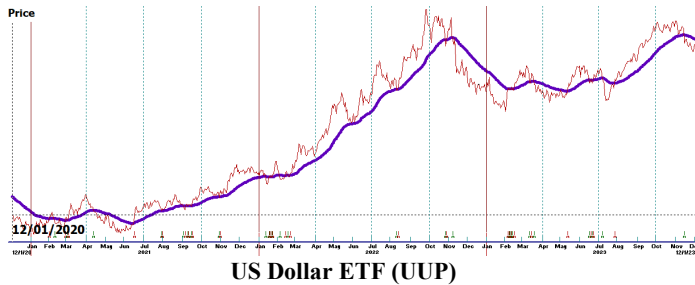
The outlook for bonds is different. Although the Fed could still increase rates at future meetings, investors expect Treasury yields have topped for this cycle and believe the next move by the Fed will be to cut interest rates which means bond prices will move up. If the Fed is unable to engineer a soft landing, they will only cut rates more aggressively to minimize the effects of a recession. Either way, it is possible that the next bull market in bonds has already started.

Whether a bear market rally or a new bull market, stocks and bonds are currently trending up. Investors should take advantage of the current rally by staying invested in uptrending market segments and using stops to limit risk.

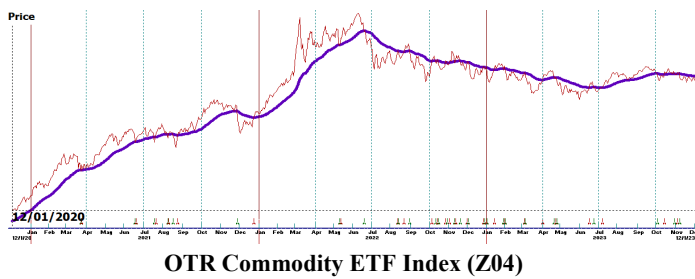
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Business Cycle Indicators (3-Year Charts)

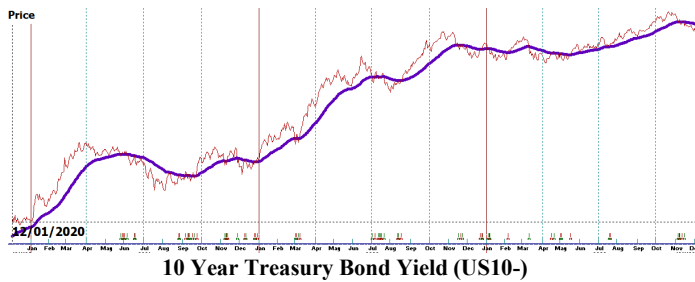
An analysis of the business cycle is useful as a guide to the macroeconomic environment. To emphasize that role and to avoid a focus on short-term trends that usually have no business cycle relevance, the 50-day moving average is emphasized as a bold line in the charts below to shift focus to the longer-term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



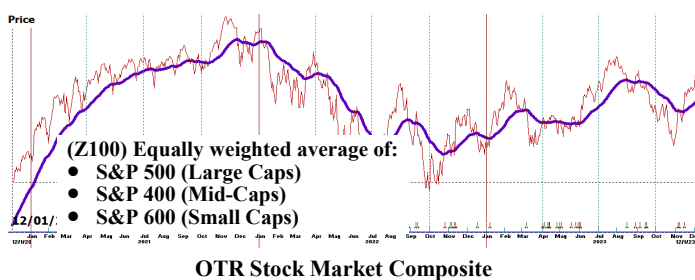
The trend of the dollar is starting to roll over. If Treasury yields have topped for this cycle, it is likely that the dollar has as well.



A declining dollar provides a positive bias for commodity prices. Despite this positive bias, commodities are drifting lower and are a sign of easing inflationary pressures.



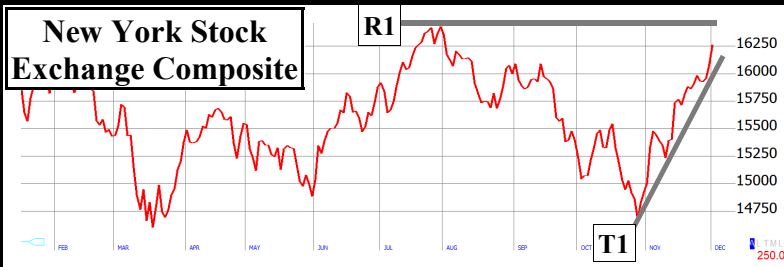
The 10-year Treasury bond yield has trended down since mid-October and the 50-day moving average has started to turn down. This trend confirms the easing inflationary pressures in the economy.



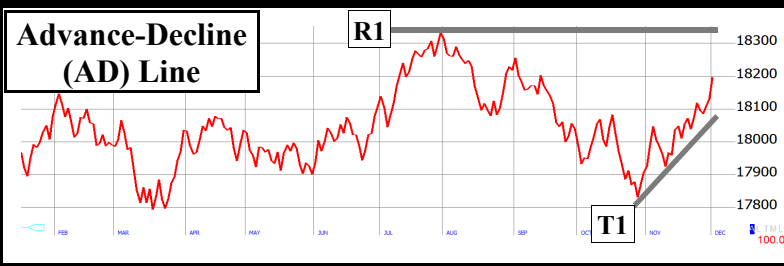
Stocks appear to have bottomed and the long-term trend has turned up.

Business Cycle Summary -- Stages 1 to 3 of the business cycle occur when the economy is contracting. Stages 4-6 are characterized by economic expansion. Last week's gross domestic product (GDP) report showed the economy growing at an annualized rate of 5.2% in Q3, but the Fed keeping interest rates higher for longer is expected to cause the economy to slow beginning this quarter. The business cycle is focused on long-term trends, and those trends currently have a large degree of uncertainty.

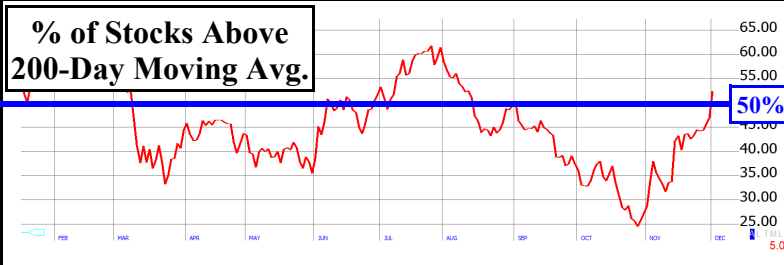
Market Environment (11-Month Charts)



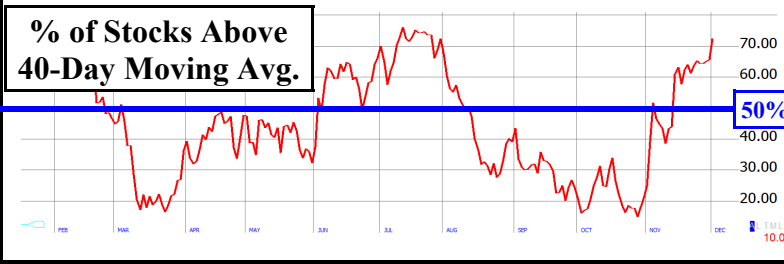
The New York Stock Exchange (NYSE) Composite is in a steep uptrend defined as trendline T1. The high for the year marked as resistance R1 is the next significant level of resistance.



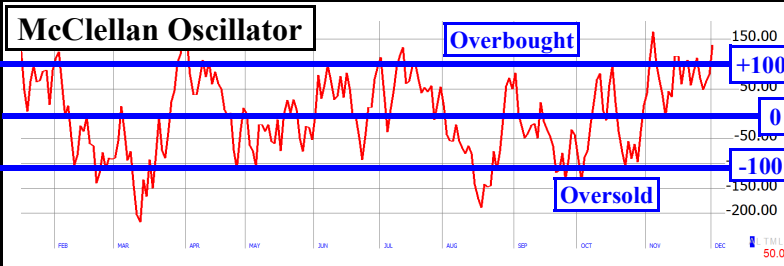
The trendline in the NYSE AD Line is not as steep as the NYSE Composite. The AD Line also has further to go before reaching its high for the year suggesting some caution is still in order.



The percentage of stocks above their 200-day moving average (in a long-term uptrend) moved up last week and is now above the neutral 50% level for the first time since last summer.



The percentage of stocks above their 40-day moving average (in a short-term uptrend) is at a very bullish 72% level.



The McClellan Oscillator is well over the +100 level used to indicate a short-term overbought condition.

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

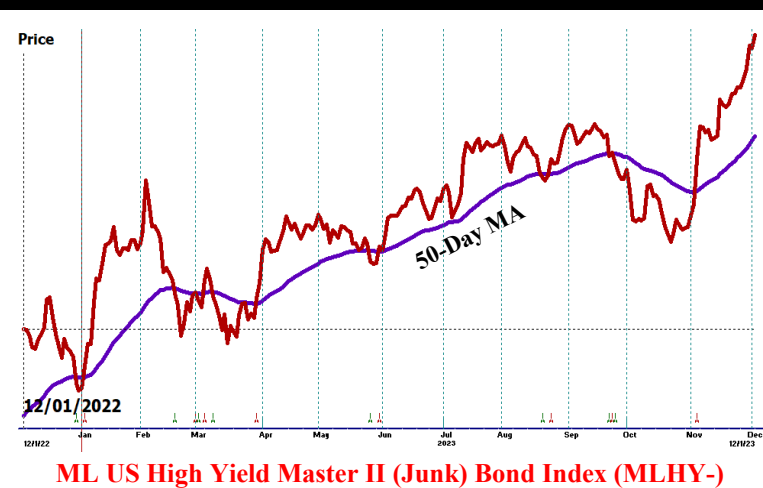
The strategic (long-term) and the tactical (short-term) market environments are positive, but the market has become overbought on a short-term basis and subject to a profit-taking correction as they approach the next significant level of resistance.

Junk Bond Market Indicator (1-Year Charts)

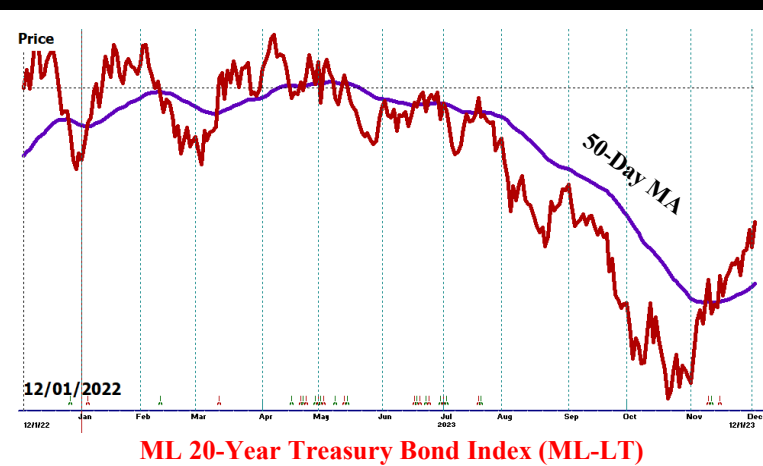
Guidelines for using the junk bond trend as an aid to making investment decisions:

- 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 in a strong uptrend well above its 50-day moving average.

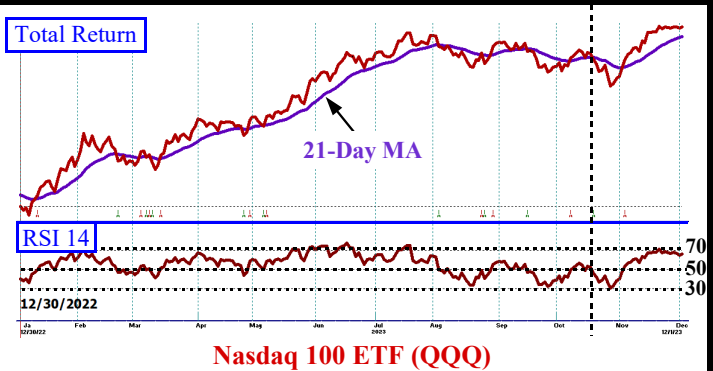
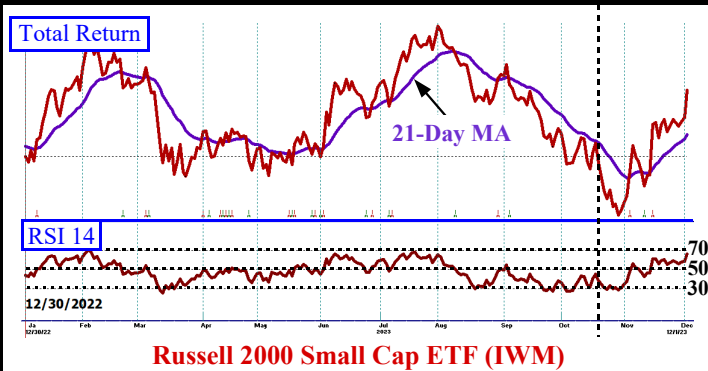
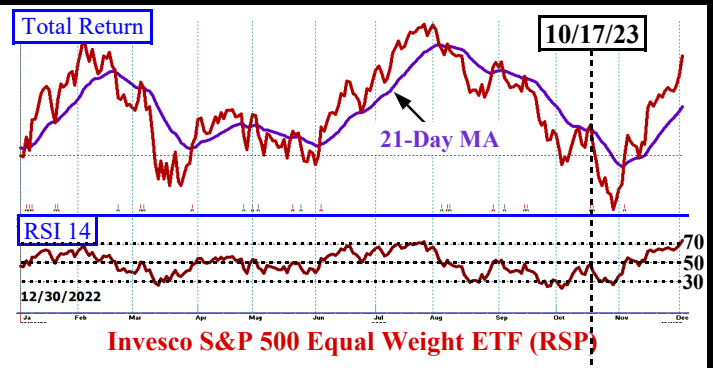
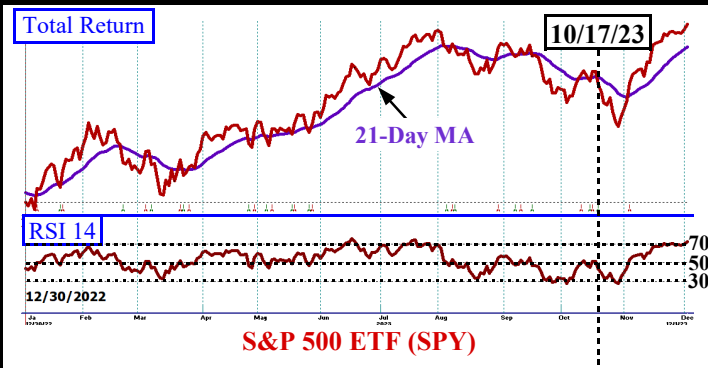


The Long-Term Treasury Bond Index is also in a strong uptrend. This move higher is a result of falling Treasury yields and is not a flight to safety.

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

Stock Market Indices (Year-to-Date Charts)

Symbol	Name	UI	MDD	TR	Ann	UPI	Trend	Comments
DIA	SPDR Dow Jones Industrial Avg ETF	1.58	-4.59	7.7	68	35	▲	Intermediate term uptrend.
SPY	SPDR S&P 500 ETF	2.22	-5.88	5.2	43	14	▲	Intermediate term uptrend.
RSP	Invesco S&P 500 Equal Weight ETF	2.70	-6.36	5.7	48	13	▲	Intermediate term uptrend.
QQQ	Invesco QQQ ETF	2.83	-7.42	5.0	41	10	▲	Intermediate term uptrend.
MDY	SPDR S&P Mid-Cap 400 ETF	3.38	-7.35	5.0	41	8	▲	Intermediate term uptrend.
IWM	iShares Russell 2000 ETF	3.69	-7.66	5.3	43	8	▲	Intermediate term uptrend.

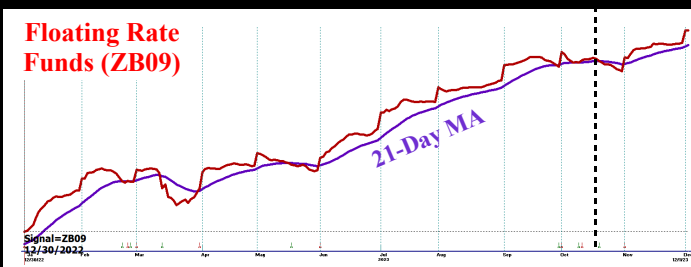
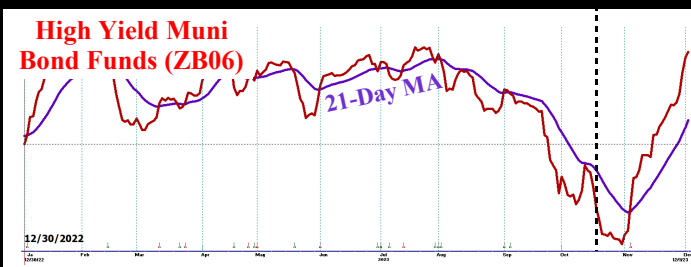
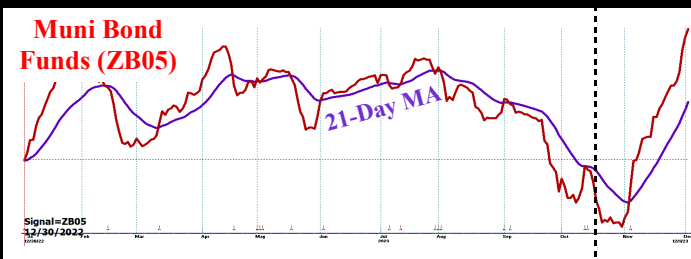
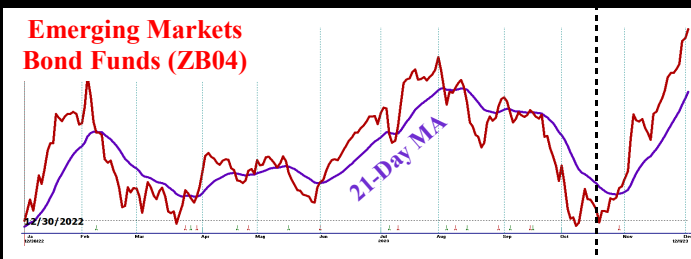
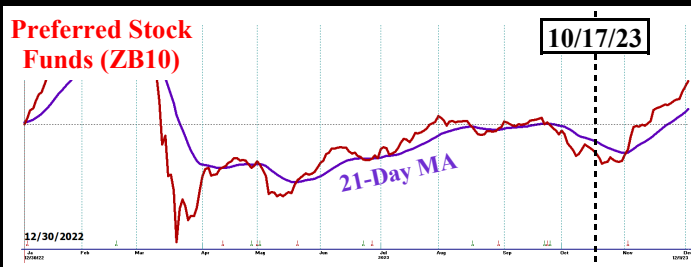
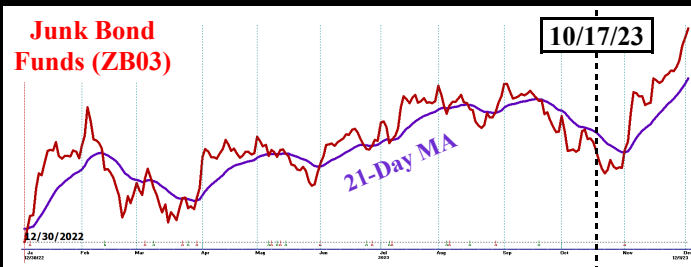


The stock index ETF charts above cover the year-to-date period. The calculations for the table are for the period since 10/17/23, the October market peak. The table is sorted by UPI.

Rotation among stock groups is a hallmark of a healthy uptrend. QQQ has led stocks most of the year, but has leveled off as the rest of the market surged the past two weeks. The market is overbought in the short term, and sideways movement back to the 21-day moving average is the best way to work off the overbought condition.

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

Symbol	Group Name	UI	MDD	TR	Ann	UPI	Trend	Comments
ZB04	Emerging Markets Bond	0.26	-0.99	7.33	74.5	218	▲	Intermediate-term uptrend.
ZC01	Core Funds	0.06	-0.28	3.01	26.4	142	▲	Intermediate-term uptrend.
ZB10	Preferred	0.28	-0.70	5.21	49.2	115	▲	Intermediate-term uptrend.
ZB02	Corporate Bond	0.35	-0.91	5.56	53.1	101	▲	Intermediate-term uptrend.
ZB05	Muni Bond	0.33	-0.74	5.26	49.7	99	▲	Intermediate-term uptrend.
ZB12	Income Funds	0.17	-0.45	3.70	33.1	93	▲	Intermediate-term uptrend.
ZB08	Mortgage Backed Bond	0.46	-1.05	5.83	56.3	84	▲	Intermediate-term uptrend.
ZB03	Junk Bond	0.35	-0.81	4.77	44.4	78	▲	Intermediate-term uptrend.
ZB01	US Treasury Bond	0.36	-0.82	4.81	44.8	77	▲	Intermediate-term uptrend.
ZB06	High Yield Muni Bond	0.65	-1.46	6.75	67.3	77	▲	Intermediate-term uptrend.
ZB07	Inflation Adjusted Bond	0.30	-0.82	3.36	29.7	41	▲	Intermediate-term uptrend.
ZB11	Securitized Bond	0.18	-0.38	1.15	9.4	0	▲	Intermediate-term uptrend.
ZB09	Floating Rate Loans	0.20	-0.58	1.36	11.3	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.

All bond groups are in intermediate-term uptrends. ZB09 has been in a steady uptrend all year, but the annualized rate of return of most every other bond group during this calculation period far exceeds ZB09. Since Treasury yields topped in October, bonds have provided excellent risk-adjusted returns.

Model Portfolios

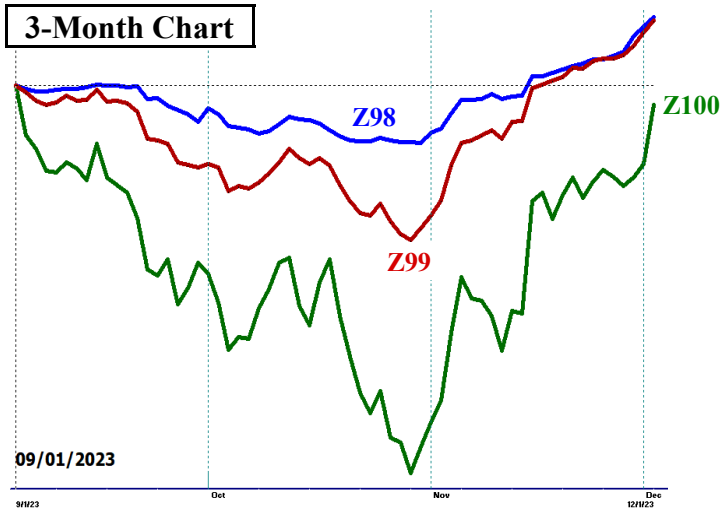
Symbol	Group/Fund	Conservative Allocation (Z98)	Aggressive Allocation (Z99)	Date Added	FastTrack Family
Z26	Large Cap Stocks	0	35	11/13/23	CAP-BIG
Z28	Small Cap Stocks	0	15	11/06/23	CAP-SMALL
ZB03	Junk Bonds	5	0	11/06/23	BD-JUNK
ZB04	Emerging Markets Bonds	5	0	11/06/23	BD-EMERGE
ZB06	High Yield Muni 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	1.00	2.46	-1.9%	2.3%	9.5%	84.4%	0.9%
Z99	Aggressive Model	2.36	0.82	-5.0%	2.2%	8.9%	93.0%	1.8%
Z100	IOT Stock Market Composite	6.46	-1.47	-12.0%	-0.6%	-2.5%	N/A	4.9%

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 portfolio. Both models are fully invested.

These are model portfolios, not specific recommendations for any investor. Most subscribers are neither always aggressive nor always conservative. Investors should adjust allocations in their portfolios based on their personal tolerance for risk.

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. Statements will be sent today 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.

Dixon Foss is working with FastTrack to take over maintenance of OTR-Edge. We will update subscribers on the status of OTR-Edge over the next few weeks.

The Bottom Line

General - Both stocks and bonds are in strong intermediate-term uptrends, but stocks are overbought on a short-term basis. Down-legs are a normal part of healthy uptrends.

Mutual fund distribution season will start this week. In taxable accounts, be careful not to buy into funds just before they pay a distribution. Most bond and income mutual funds pay monthly distributions and have little or no capital gains to distribute in December. In IRAs and other tax-deferred accounts, distributions have no tax consequences. FastTrack usually adjusts for distributions immediately, but sometimes the adjustment occurs the following day. Avoid making inappropriate investment decisions based on what appears to be a sharp decline that may be nothing more than a normal distribution.

Conservative Investors - Stay fully invested in low volatility bond and income mutual funds. Consider distributions before adding or swapping mutual funds in taxable accounts.

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. Consider distributions before adding or swapping mutual funds in taxable accounts.

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.