OnTrack Report

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Market Overview

	Short Term	Intermediate Term	Long Term
Large Cap Stocks	Uptrend	Uptrend	Uptrend
Mid-Cap Stocks	Uptrend	Uptrend	Uptrend
Small Cap Stocks	Uptrend	Uptrend	Trading range
Junk Bonds	Uptrend	Uptrend	Uptrend
Treasury Bonds	Uptrend	Uptrend	Uncertain
Commodities	Downtrend	Downtrend	Uncertain

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.

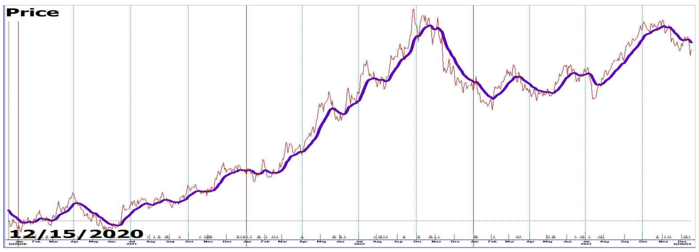
Both the stock and bond markets are in strong uptrends. The most recent surge was triggered by the Fed's sudden reversal of their higher-for-longer interest rate policy. That shocked the market and created a mad rush to get invested in both stocks and bonds before the end of the year. There is much speculation about what caused the sudden death of the higher-for-longer policy, but it was unquestionably a major change that caught many investors off guard. Fortunately for us, the trend of both stocks and bonds were already up and we were already fully invested.

It now looks likely that the elusive economic soft landing may actually become reality. Of course, the picture can change quickly, but we can also adjust quickly. We may not know what caused the Fed to suddenly shift its forward guidance on interest rates or whether of not the economy will actually slow without a recession, but we don't have to know in order to benefit from the current strong market advance. All we have to do is to follow the same risk management principles that have served us so well for the past 25 years. That is how we got fully invested before the Fed signaled multiple rate cuts for 2024.

As you already know, we are close to ending the weekly publication of the OnTrack Report. This something I contemplated for at least a year. It was my goal to help subscribers through one last bear and get established in the next major bull market. The bear market did not unfold as I expected, but the next bull market has kicked off in grand style. During the past 25 years, we have missed most of every major bear market and participated in every major bull market. I sincerely wish all subscribers great success in navigating the inevitable turns and twists in the market during the coming year and beyond.

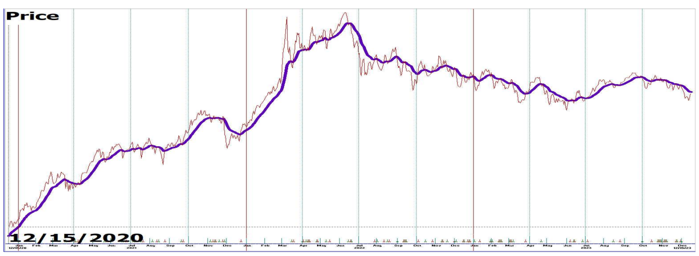
Business Cycle Indicators (3-Year Charts)

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.



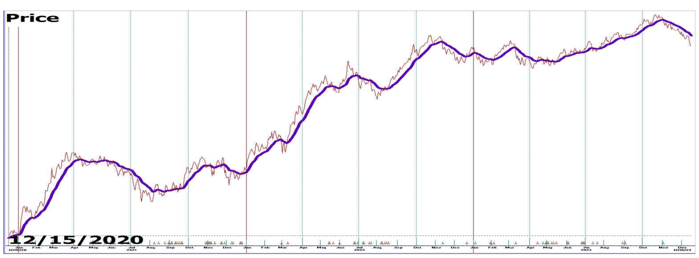
US Dollar ETF (UUP)

The primary trend of the dollar is down.



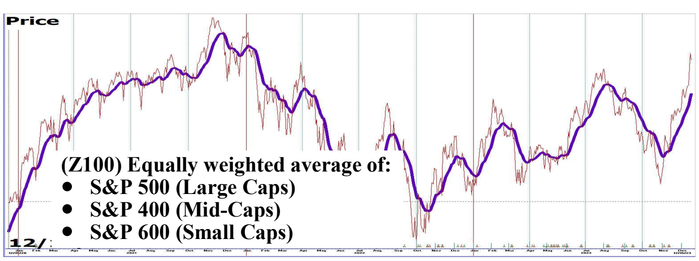
OTR Commodity ETF Index (Z04)

A downtrending dollar should provide an upward bias for commodity prices, but commodities have declined along with the dollar, reflecting declining inflation pressures in the US economy.



10 Year Treasury Bond Yield (US10-)

The primary trend of the 10-year Treasury bond yield is now down, reinforcing the declining inflation pressures indicated by the trend of commodities.

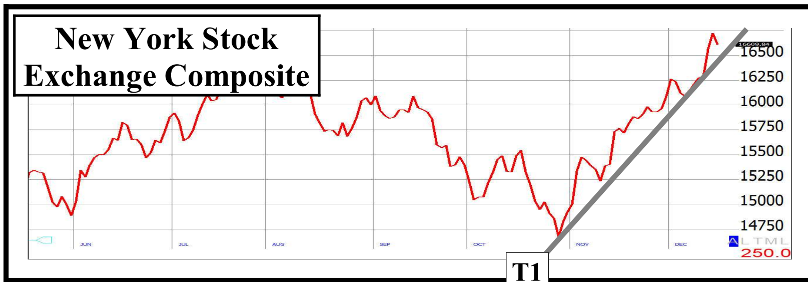


OTR Stock Market Composite

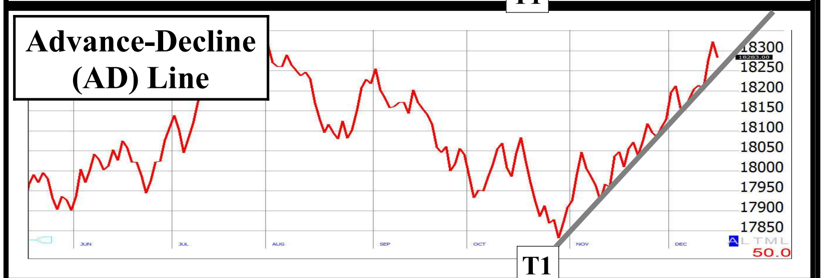
Stocks have rallied strongly off their late October lows. The primary trend of stocks is up.

Business Cycle Summary -- The economy is in Stage II, a very good environment for investors. As noted last week, this is not a typical Stage II because it was not preceded by a recession, but that raises the possibility of an extended Stage II if the economy continues to slow without going into a recession.

Market Environment (7-Month Charts)



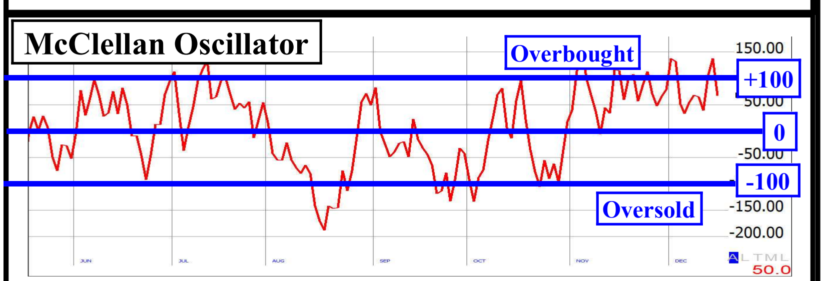
The New York Stock Exchange (NYSE) Composite is in a strong uptrend.



The NYSE AD Line is also in a strong uptrend, confirming the trend in the NYSE Composite.

The percentage of stocks above their 200-day moving average (in a long-term uptrend) is well above the neutral 50% level.

The percentage of stocks above their 40-day moving average (in a short-term uptrend) is at a very positive 70%.



The McClellan Oscillator has held above the neutral zero level for the past six weeks with occasional excursions above +100. This is a very positive pattern that is typical in a strong market uptrend.

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

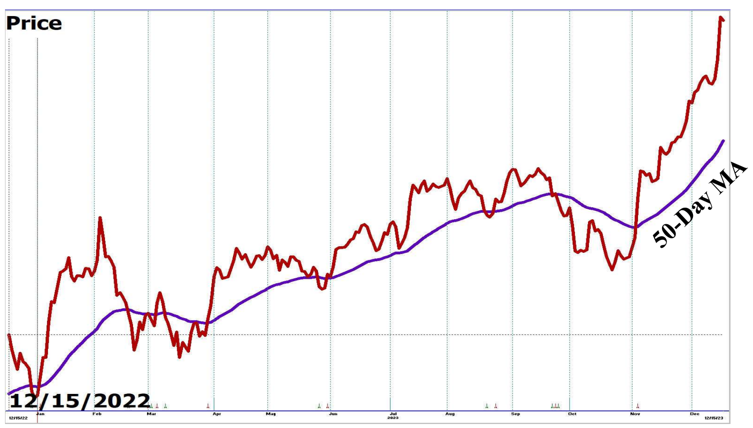
Both the tactical environment and the strategic environment are unequivocally positive. While the current uptrend is likely to slow before long, the market environment is conducive to a continuation of the broad market uptrend.

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.



ML US High Yield Master II (Junk) Bond Index (MLHY-)

The Junk Bond Index is trending up strongly above its uptrending 50-day moving average. It appears to be a little extended in the short-term, but the trend is clearly up.

ML 20-Year Treasury Bond Index (ML-LT)

The Long-Term Treasury Bond Index is also trending up, but this is not a flight to safety.

The Junk Bond Market Indicator is decisively and unequivocally positive, indicating a positive market environment for risk assets.

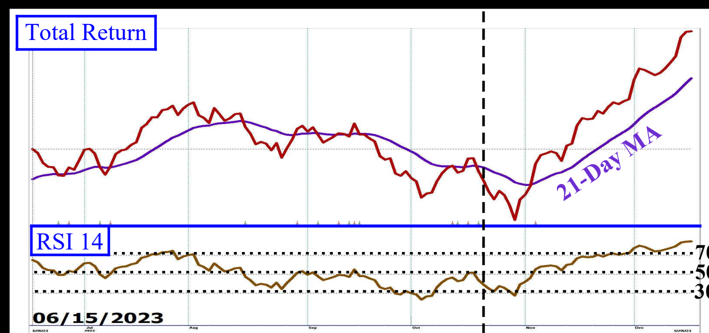
Stock Market Indices (6-Month Charts)

Symbol	Name	UI	MDD	TR	Ann	UPI	Trend	Comments
DIA	SPDR Dow Jones Industrials ETF	0.71	-2.92	12.1	105	124.2	▲	Strong uptrend.
IWM	iShares Russell 2000 ETF	1.70	-4.15	16.9	167	88.4	▲	Strong uptrend.
RSP	Invesco S&P 500 Equal Weight ETF	1.18	-3.66	12.7	113	81.8	▲	Strong uptrend.
MDY	SPDR S&P Mid-Cap 400 ETF	1.40	-3.79	13.7	125	77.4	▲	Strong uptrend.
QQQ	Invesco QQQ ETF	1.32	-4.53	12.6	111	71.9	▲	Strong uptrend.
SPY	SPDR S&P 500 ETF	1.07	-3.69	10.5	88	66.8	▲	Strong uptrend.

S&P 500 ETF (SPY)

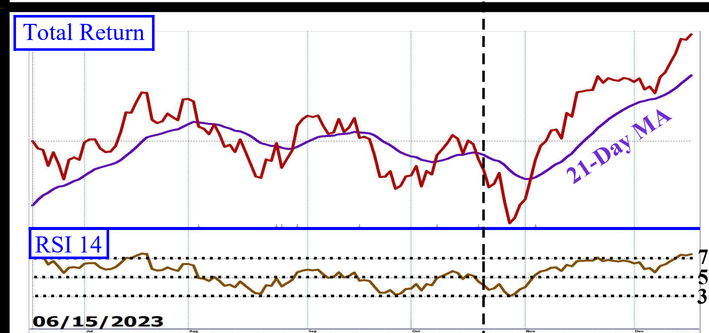
Invesco S&P 500 Equal Weight ETF (RSP)

S&P 400 Mid-Cap ETF (MDY)



Dow 30 ETF (DIA)

Russell 2000 Small Cap ETF (IWM)



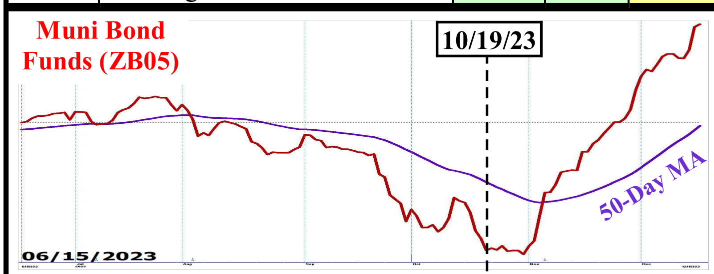
Nasdaq 100 ETF (QQQ)

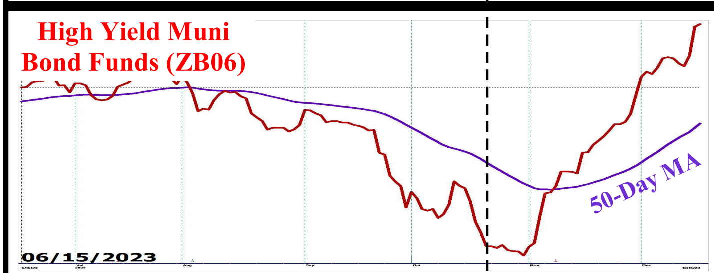
The stock index ETF charts above cover the past six months. The calculations for the table are for the period since 10/19/23, the peak in US Treasury bond yields that triggered the uptrend in stocks. The table is sorted by UPI.

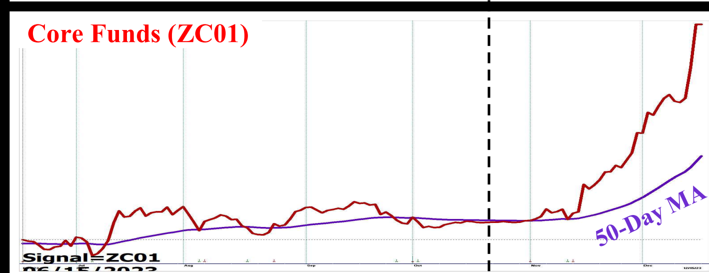
All the index ETFs are in strong uptrends with RSI-14 well above the neutral 50 level. The Russell 2000 has been the strongest performing index in this uptrend, but the Dow has the highest UPI due to its much lower volatility (UI).

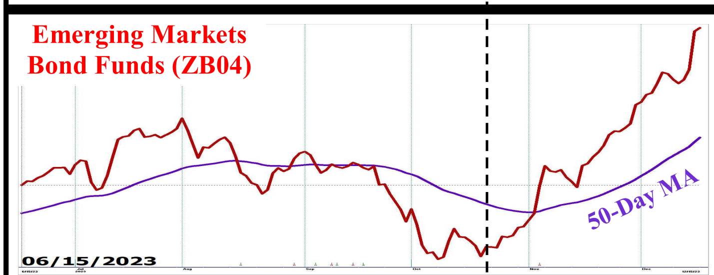
Bond/Income Fund Charts (6-Month Charts)

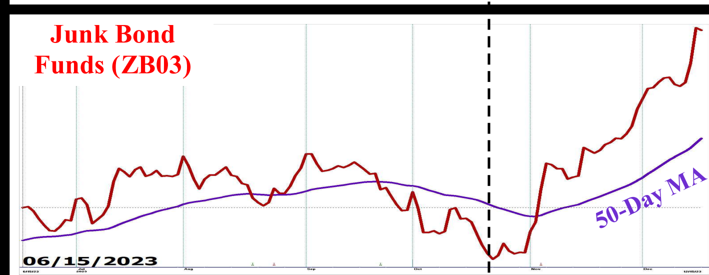
Symbol	Group Name	UI	MDD	TR	Ann	UPI	Trend	Comments
ZB05	Muni Bond	0.07	-0.27	7.43	57.1	601.4	▲	Low-volatility uptrend.
ZB10	Preferred	0.09	-0.32	8.41	66.3	575.8	▲	Low-volatility uptrend.
ZB06	High Yield Muni Bond	0.13	-0.46	10.30	85.5	532.1	▲	Low-volatility uptrend.
ZC01	Core Funds	0.07	-0.28	5.50	40.2	323.5	▲	Low-volatility uptrend.
ZB04	Emerging Markets Bond	0.25	-0.99	10.78	90.6	299.5	▲	Low-volatility uptrend.
ZB03	Junk Bond	0.18	-0.50	7.44	57.2	232.0	▲	Low-volatility uptrend.
ZB12	Income Funds	0.12	-0.34	5.61	41.1	214.9	▲	Low-volatility uptrend.
ZB02	Corporate Bond	0.28	-0.73	8.97	71.8	195.6	▲	Low-volatility uptrend.
ZB08	Mortgage Backed Bond	0.35	-0.92	9.26	74.7	167.3	▲	Low-volatility uptrend.
ZB01	US Treasury Bond	0.32	-0.82	7.65	59.1	134.0	▲	Low-volatility uptrend.
ZB07	Inflation Adjusted Bond	0.29	-0.82	5.70	41.8	88.3	▲	Low-volatility uptrend.
ZB11	Securitized Bond	0.13	-0.32	2.52	17.0	6.0	▲	Low-volatility uptrend.
ZB09	Floating Rate Loans	0.11	-0.41	2.24	14.96	0.0	▲	Low-volatility uptrend.











The bond/income fund group charts above cover the past six months. The calculations for the table are for the period since 10/19/23 to provide a direct comparison with the stock index ETFs on page 5. [Compare the risk-adjusted returns (UPI) for both the stock and bond groups.] The table is sorted by UPI.

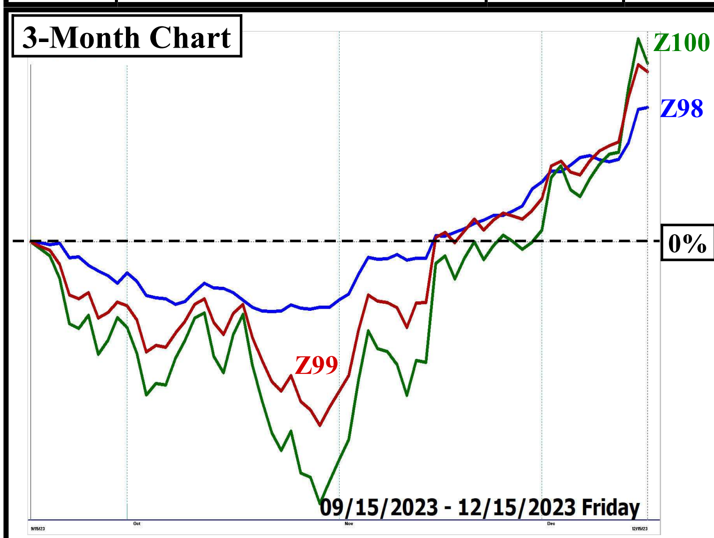
All the bond/income groups are in low-volatility uptrends. The top six funds on the UPI-ranked fund groups in the table above are pictured in the charts, but in this environment, any of the fund groups offer very good risk-adjusted returns for conservative investors, as well as most not-so-conservative investors.

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	35	11/06/23	CAP-SMALL
ZB03	Junk Bonds	15	0	11/06/23	BD-JUNK
ZB04	Emerging Markets Bond Funds	15	0	11/06/23	BD-EMERGE
ZB06	High Yield Muni Bond Funds	15	0	11/13/23	BD-MUNIHIYLD
ZB09	Floating Rate Funds	0	0	04/03/23	BD-FLOAT
ZB10	Preferred Funds	20	30	11/06/23	BD-PREFFERED
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**	1.36	9.0	-2.6%	5.1%	21.8%	82.5%	1.43%
Z99	**Aggressive Model**	2.84	6.7	-6.6%	6.6%	28.4%	99.3%	3.27%
Z100	**IOT Stock Market Composite**	4.06	5.1	-9.3%	6.9%	30.0%	N/A	5.03%



Z100 is the IOT Stock Market Composite used in the chart on page 2. The chart and the calculations for the table above cover the past three months.

The broad market advance that started in the last week of October has continued and all corrections have been mild.

There are some changes in the model portfolio allocations as shown in the table above. These changes are to take advantage of bond and stock trends that have attracted robust buying in the current market environment.

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 previously announced, the OnTrack Report will cease to be published as a weekly newsletter at the end of the year; however, it will continue as a free monthly newsletter for an additional year. If you are a current subscriber, there is nothing you have to do to receive the monthly newsletter. You can opt out by contacting Beth at 850-934-6300 during normal stock market hours or writing her at bw@mprice.com. Previous subscribers or other interested persons can subscribe to the monthly newsletter at no cost by contacting Beth.

In addition to the free monthly OnTrack Report, there are a couple of other publications that we will continue to write. Each week I write a one-page PCM Note for investors in the hedge funds that I manage for Price Capital Management. Interested investors can receive these notes if they are accredited investors by contacting Dexter Lyons by email (Dexter@PCM-Mail.com) or phone (337-983-0676).

We also publish a monthly OTRFX Note for investors in the mutual fund that Lee Harris and I jointly manage (OTRFX/OTRGX). Lee normally writes this note, but we collaborate constantly on all aspects of Price Capital Management business. If you are not an investor in the mutual fund but would like to receive this note, contact Lee (Lee@PCM-Mail.com).

The Bottom Line

General - Stocks and bonds are trending up. The Fed has clearly signaled their plan to start cutting rates next year, so there has been a mad rush to get back in the market, resulting in very strong uptrends in both stocks and bonds. While these trends are likely to slow in the new year, the uptrends are likely to continue — unless the Fed does an abrupt turnaround or the economy starts to sink into a severe recession.

Conservative Investors - Stay fully invested. Hold uptrending low-volatility bond/income mutual funds. Use stops to limit risk.

Aggressive Investors - Stay fully invested. Hold stock ETFs and preferred mutual funds. Use stops to limit 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.