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	Likely uptrend
Junk Bonds	Trading range	Uptrend	Uptrend
Treasury Bonds	Downtrend	Trading range	Uncertain
Commodities	Uptrend	Trading range	Trading range

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.

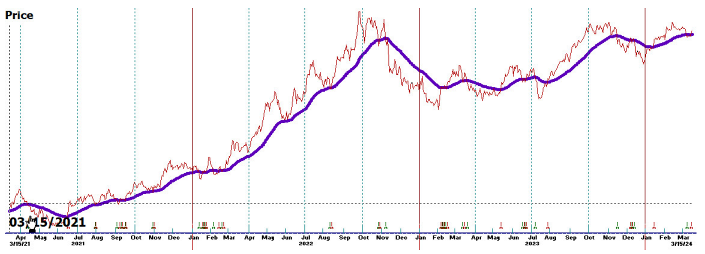
Stocks are in a bull market advance. Technology stocks led stock markets higher in 2023, but have underperformed recently. Large cap stocks continue to perform well, and it's a positive development that large cap breadth is strengthening as evidenced by the outperformance of the S&P 500 equal weight ETF relative to the capitalization weighted S&P 500 ETF. Higher oil prices have made energy one of the top sectors over the past month, but also helped boost the Consumer Price Index (CPI), a key inflation report. The Producer Price Index (PPI), another measure of inflation, also came in higher than expected for February.

Inflation will be at the forefront of discussions at this week's meeting of the Federal Reserve. Investors do not expect a change in interest rates, but are very interested in the Fed's outlook for when rate cuts will start and how many they expect to occur in 2024. Markets may be negatively affected if the Fed expresses increased concern about inflation and hints at pushing back a June rate cut, or decreasing the number of rate cuts this year. Bond markets have been positive, but sluggish, as the rate cuts anticipated earlier this year did not materialize A strong, broad bond market advance is expected whenever the rate cutting cycle begins.

We do not advocate basing investment decisions on guessing what the Fed will or will not do, or what markets will do in the future. No one knows what the future holds. Follow the process used in the OnTrack Report to take advantage of current market opportunities and use risk management principles to avoid life-changing losses in your portfolios.

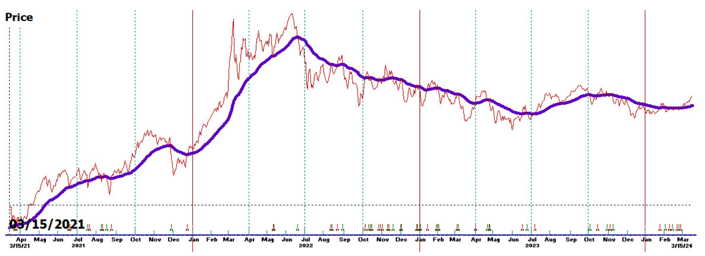
Business Cycle Indicators (3-Year Charts)

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.



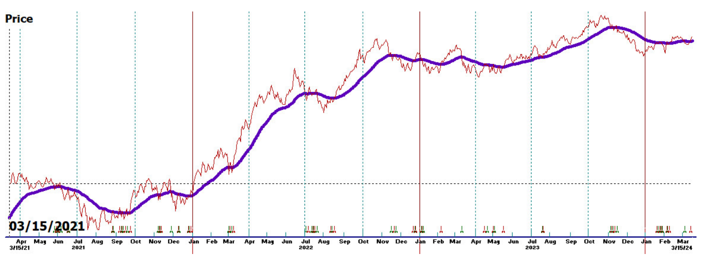
US Dollar ETF (UUP)

The dollar has been unable to break through recent highs. The sideways trend provides neither a positive nor negative bias for commodity prices.



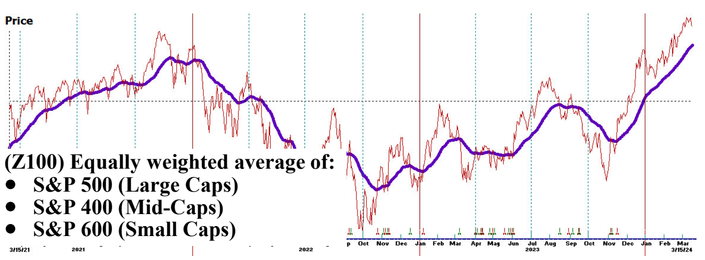
OTR Commodity ETF Index (Z04)

Slightly stronger inflation data over the past month has moved commodity prices higher in the short-term, but the long-term trend remains sideways.



10 Year Treasury Bond Yield (US10-)

The 10-year Treasury bond yield has turned up modestly, suggesting the Fed may hold short-term interest rates at the current level longer than expected.

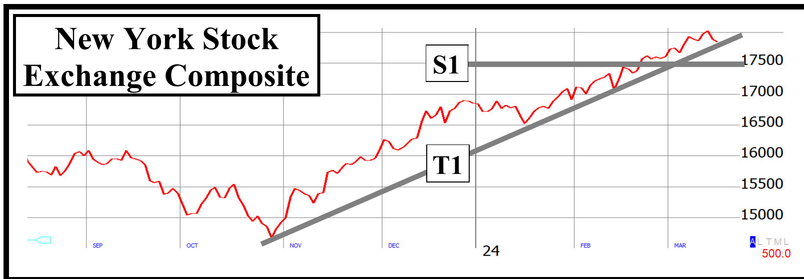


OTR Stock Market Composite

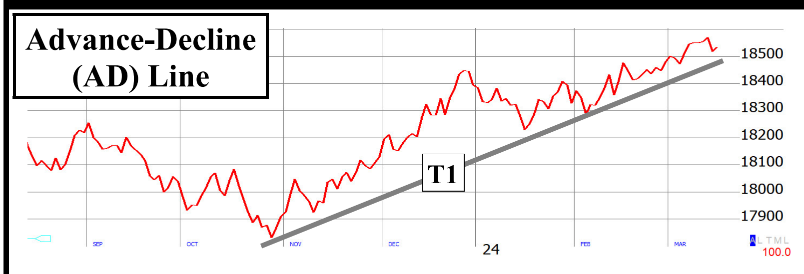
The long-term trend of stocks is up.

Business Cycle Summary -- Long-term trends are used to assess the business cycle environment. Bonds have weakened but have not turned down, and they are unlikely to do so unless inflationary pressures increase significantly and the Fed reverses course and begins to raise interest rates. For now, Stage II (bullish for stocks and bonds, bearish for commodities) best describes the business cycle environment.

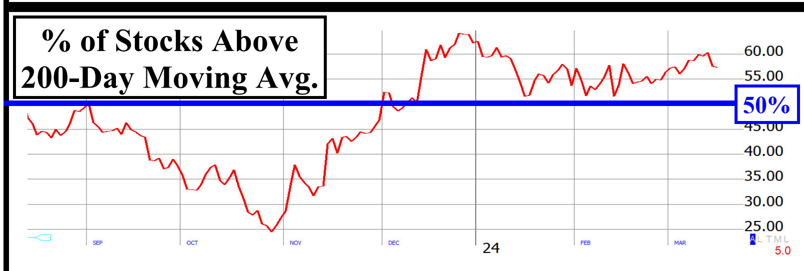
Market Environment (7-Month Charts)



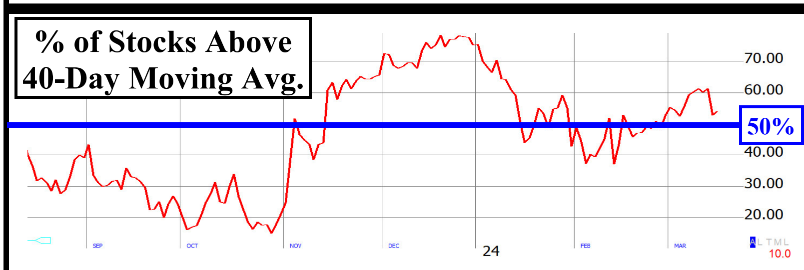
The uptrend in the New York Stock Exchange (NYSE) Composite remains intact. The recent pullback to trendline T1 looks no more ominous than other down-legs in this ongoing uptrend.



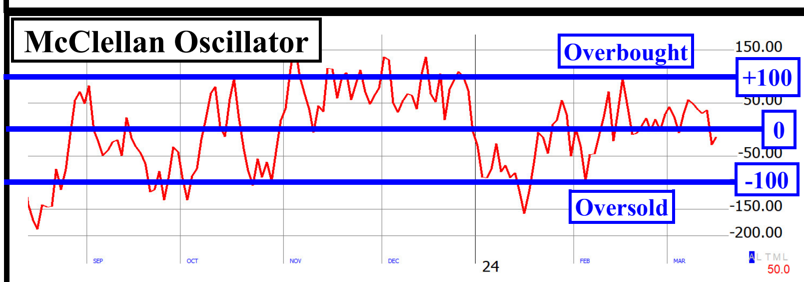
The NYSE AD Line confirms the uptrend in the NYSE Composite.



The percentage of stocks above their 200-day moving average (in a long-term uptrend) has dipped but remains solidly above the neutral 50% level. The percentage of stocks above their 200-day moving average has been above the 50% level for the past 4 months and reflects a positive stock market environment.



The percentage of stocks above their 40-day moving average (in a short-term uptrend) has pulled back, but remains slightly above the neutral 50% level.



The McClellan Oscillator declined over the past week, but is within the –100 to +100 normal range. The stock market is neither oversold nor overbought on a short-term basis.

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

The long-term market environment is positive. The short-term environment has weakened but remains positive as investors adjust to the Fed's higher for longer interest rate policy. The Fed meeting this week has the potential to affect the direction of markets in the short-term, but the long-term outlook will be driven primarily by economic conditions and the success of the Fed in negotiating a soft-landing for the economy.

Junk Bond Market Indicator (1-Year Charts)

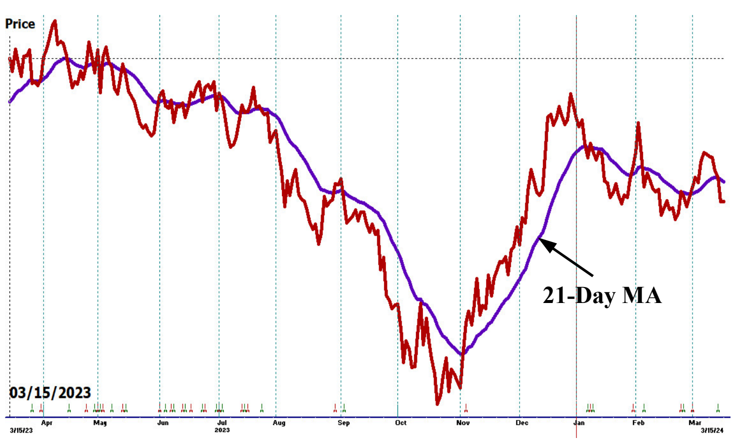
Guidelines for using the junk bond trend as an aid to making investment decisions:

- 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 uptrend in the Junk Bond Index slowed after the strong Q4 surge, but junk bonds continue to trend up above their 21-day moving average. We use the 21-day moving average as a caution flag for junk bonds, not a sell signal. If the 21-day moving average is decisively penetrated, we will start watching the 50-day moving average (not shown) as a potential sell signal and an indication of a change in the market environment.



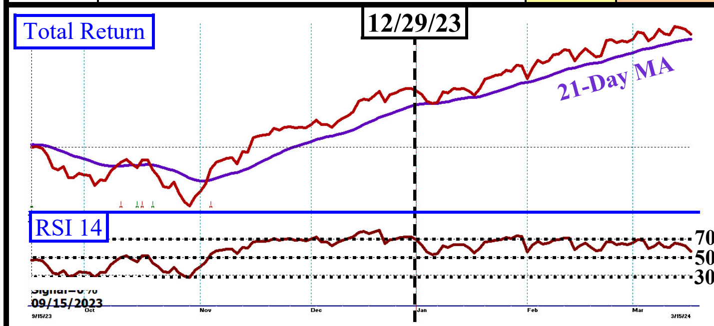
ML 20-Year Treasury Bond Index (ML-LT)

The Long-Term Treasury Bond Index has weakened as Treasury Bond yields have climbed during the first quarter of 2024. There is no flight to the safety of Treasury bonds.

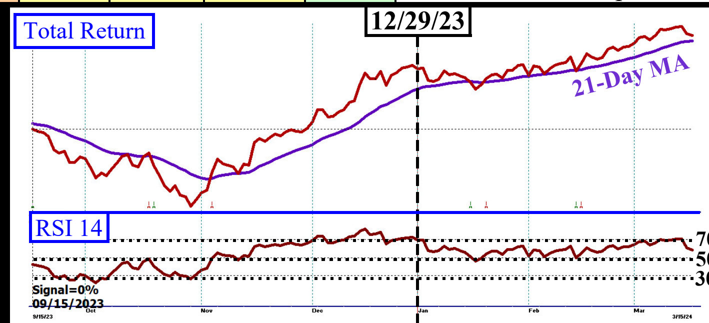
The Junk Bond Market Indicator is positive, indicating a positive market environment for risk assets such as stocks and economically sensitive bond groups.

Stock Market Indices (6-Month Charts)

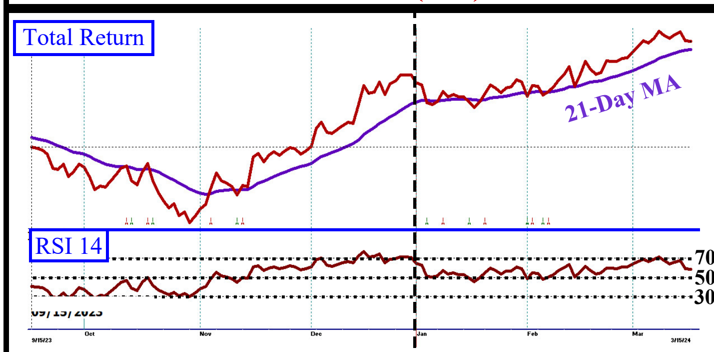
Symbol	Name	UI	MDD	TR	Ann	UPI	Trend	Comments
SPY	SPDR S&P 500 ETF	0.62	-1.71	7.6	43	67	▲	Intermediate term uptrend.
DIA	SPDR Dow Jones Industrial Avg ETF	0.55	-1.36	3.2	16	29	▲	Intermediate term uptrend.
RSP	Invesco S&P 500 Equal Weight ETF	0.85	-2.54	4.2	22	25	▲	Intermediate term uptrend.
QQQ	Invesco QQQ ETF	1.28	-3.23	6.0	32	25	▲	Intermediate term uptrend.
MDY	SPDR S&P Mid-Cap 400 ETF	1.32	-3.16	5.5	29	22	▲	Intermediate term uptrend.
IWM	iShares Russell 2000 ETF	2.65	-5.60	0.9	4	1	▲	Intermediate term uptrend.



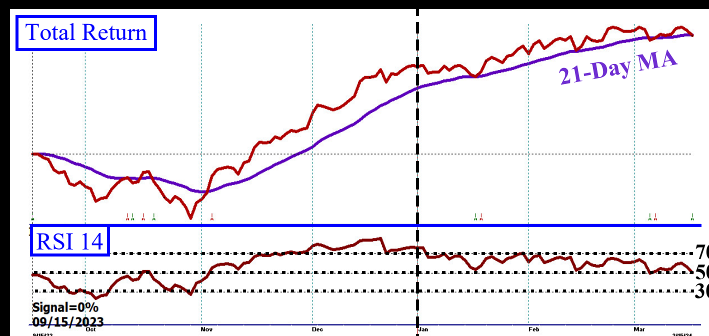
S&P 500 ETF (SPY)



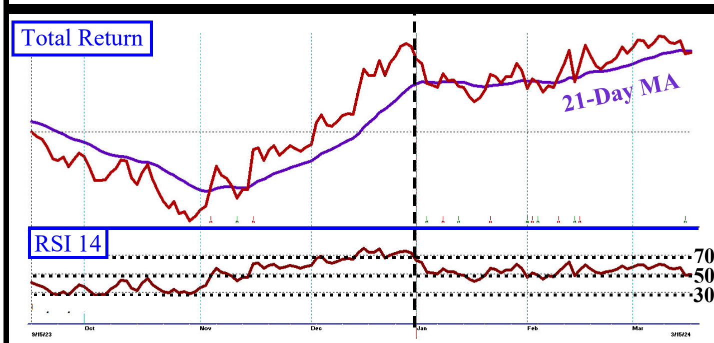
Invesco S&P 500 Equal Weight ETF (RSP)



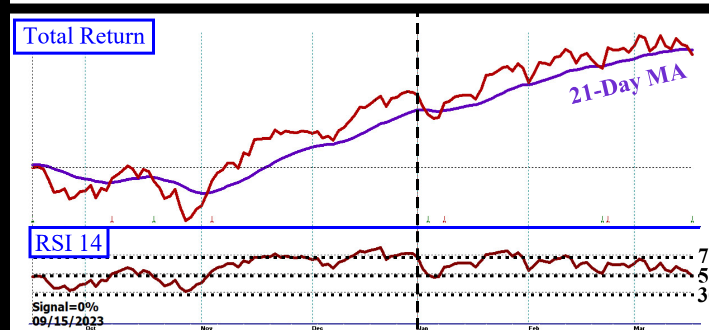
S&P 400 Mid-Cap ETF (MDY)



Dow 30 ETF (DIA)



Russell 2000 Small Cap ETF (IWM)



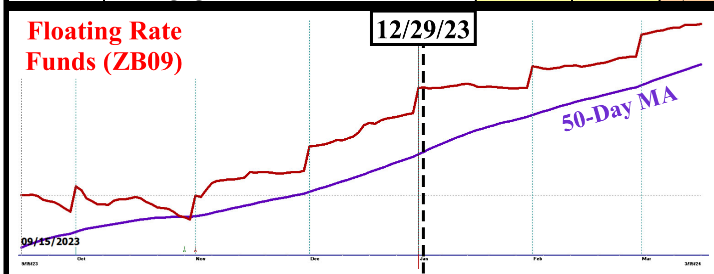
Nasdaq 100 ETF (QQQ)

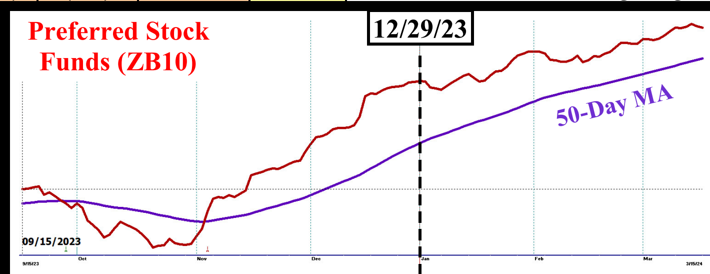
The stock index ETF charts above cover the past six months. The calculations for the table are for the year-to-date. The table is sorted by UPI.

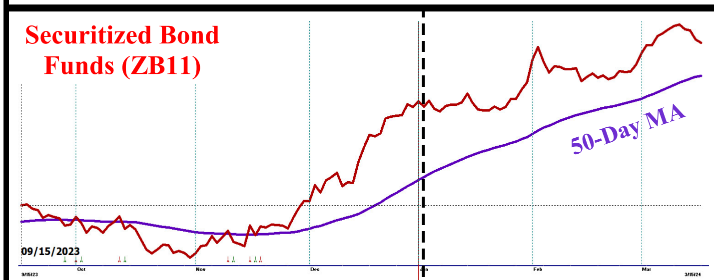
The six major stock index ETFs pulled back last week to test their 21-day moving average and RSI-50 level. Uptrends do not continue indefinitely, but for now, the current pullback looks like a typical down-leg in an intermediate-term uptrend.

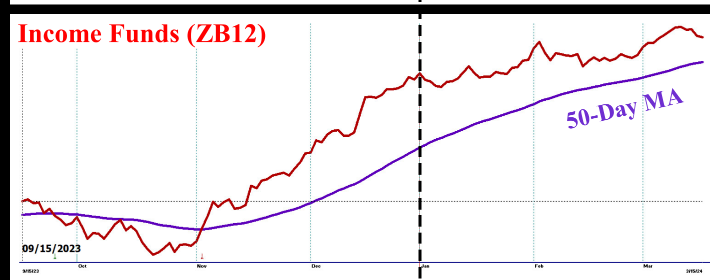
Bond/Income Fund Charts (6-Month Charts)

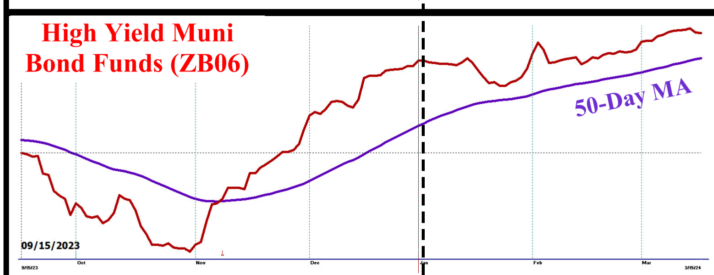
Symbol	Group Name	UI	MDD	TR	Ann	UPI	Trend	Comments
ZB09	Floating Rate Loans	0.05	-0.13	1.76	8.9	157	▲	Uptrend.
ZB10	Preferred	0.23	-0.56	2.82	14.5	59	▲	Uptrend.
ZB11	Securitized Bond	0.35	-0.73	1.25	6.2	16	▲	Uptrend.
ZB12	Income Funds	0.38	-0.87	1.31	6.5	16	▲	Uptrend.
ZB06	High Yield Muni Bond	0.75	-1.59	1.62	8.1	10	▲	Uptrend.
ZB03	Junk Bond	0.50	-1.04	0.62	3.1	5	▲	Uptrend.
ZB04	Emerging Markets Bond	0.95	-1.85	1.05	5.2	5	▲	Uptrend.
ZC01	Core Funds	0.54	-1.08	0.39	1.9	2	▲	Uptrend.
ZB05	Muni Bond	0.54	-1.07	0.20	1.0	1	▲	Uptrend.
ZB07	Inflation Adjusted Bond	1.00	-2.02	(0.73)	(3.5)	0	◀ ▶	Intermediate-term trading range.
ZB02	Corporate Bond	1.39	-2.48	(1.21)	(5.7)	0	◀ ▶	Intermediate-term trading range.
ZB01	US Treasury Bond	1.63	-2.69	(1.92)	(9.0)	0	◀ ▶	Intermediate-term trading range.
ZB08	Mortgage Backed Bond	1.60	-2.72	(1.97)	(9.2)	0	◀ ▶	Intermediate-term trading range.

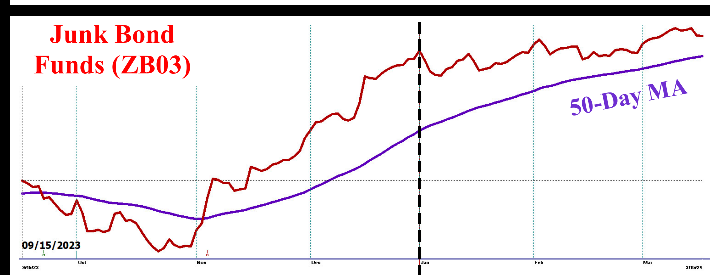












The bond/income fund group charts above cover the past six months. The calculations for the table are for the year-to-date to allow for direct comparison to the stock index ETF calculations on page 5. Negative UPI values are set to zero and the table is sorted by UPI with a secondary sort by MDD.

Strengthening bond yields have dampened returns of all types of bond funds this year. All bond groups are in weak, low volatility uptrends or intermediate-term trading ranges. These trends are likely to continue as long as inflation data remains elevated preventing the Fed from cutting interest rates.

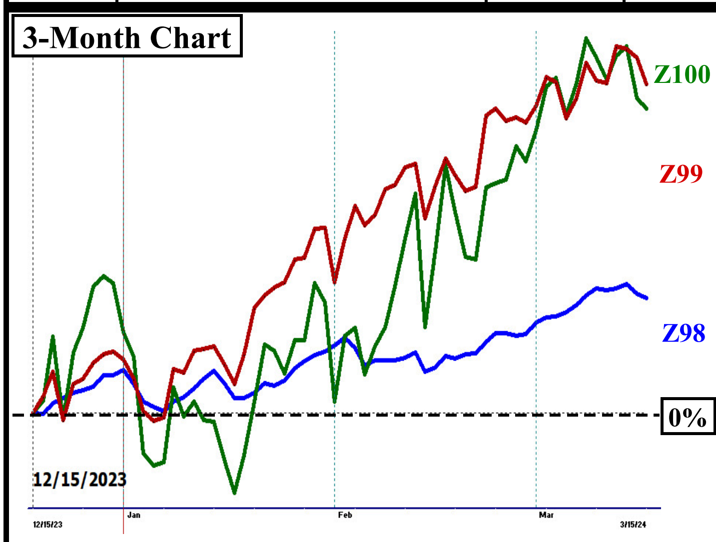
Model Portfolios

Symbol	Group/Fund	Conservative Allocation (Z98)	Aggressive Allocation (Z99)	Date Added	FastTrack Family
Z26	Large Cap Stocks	0	70	11/13/23	CAP-BIG
ZB03	Junk Bonds	10	0	11/06/23	BD-JUNK
ZB04	Emerging Markets Bonds	10	0	03/18/24	BD-EMERGE
ZB09	Floating Rate Bonds	10	0	04/03/23	BD-FLOAT
ZB10	Preferred	35	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	0.32	20.9	-0.8%	2.3%	10.0%	41.1%	0.7%
Z99	Aggressive Model	0.46	61.0	-1.4%	6.8%	31.4%	75.2%	2.3%
Z100	IOT Stock Market Composite	1.71	14.9	-4.2%	6.3%	28.7%	N/A	4.3%

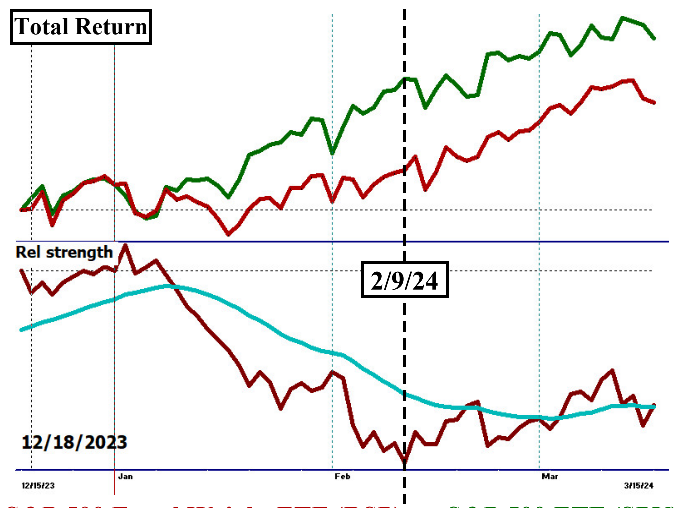


Z100 is the IOT Stock Market Composite used in the chart on page 2. The chart and the calculations for the table above cover the past three months.

There are no changes to the Aggressive Model allocations. In the Conservative Model, allocations to ZB03 and ZB09 were reduced by 5% each and reallocated to ZB04 making the model slightly less conservative. This change is in keeping with the view that market conditions are positive, particularly for stocks and economically sensitive bond groups.

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 (3-Month Chart)



S&P 500 Equal Weight ETF (RSP) vs. S&P 500 ETF (SPY)

The stock market is in a bull market uptrend, and the bull market is strengthening internally.

The relative strength chart in the bottom panel shows the relationship between the S&P 500 Equal Weight ETF (red line) and the capitalization weighted S&P 500 ETF (green line). SPY outperformed RSP in 2023 and the first month of 2024 primarily due to a few mega-cap stocks that drove capitalization weighted indices higher. That relationship may have changed on 2/9/2024 when the relative strength line reversed its trend. This positive development means a broader segment of large cap stocks have begun to drive the uptrend. Both SPY and RSP are part of stock group Z26 included in the Aggressive Model allocation.

The Bottom Line

General - The stock market has been in a broad advance since November and the Junk Bond Indicator is positive. Weakness in stocks last week looks to be nothing more than a down-leg in an ongoing uptrend, but investors should not become complacent. The Fed meeting could result in increased volatility this week with the potential for change in short-term trends.

Conservative Investors - Remain fully invested in uptrending low-volatility bond/income mutual funds. As always, use stops to limit risk.

Aggressive Investors - Remain fully invested in stock ETFs and preferred mutual funds. Adjust the ratio of stock ETFs to preferred mutual funds depending on your tolerance for risk. As always, use stops to limit drawdown.

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.