THE TRADER REVIEW

market forecast

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Dear Readers,

Today was ***Fed Day.***

And here's the initial headline I saw after the announcement:

Yahoo

Fed Rate Cuts On Hold; Powell Upbeat On Inflation, S&P 500 Pares Loss (Live Coverage)

The Federal Reserve held its key interest rate steady on Wednesday, confirming that policy is in a holding pattern after three straight...

So today's market forecast is going to be a walk down memory lane.

Let's start by breaking down the ole **Phillips Curve**, and what it really means.

THE PHILLIPS CURVE 101

The Federal Reserve has been using the **Phillips Curve** as its base methodology for decades.

It states that when unemployment is very low, and we are at "full employment", the result will be inflation.

The only problem is... it's not true, which has led to the Fed causing boom and bust cycles raising interest rates with no "sign" of inflation over the years as they think they are "ahead of the curve".

Most of the noise caused by the Fed results in market blips, minor "crashes"...corrections, if you will.

See the chart on the next page to see what happened when the Fed said the labor market being "good" doesn't actually cause inflation...

The S&P futures, as seen above, said “thank you, Mr. Powell…”, and she ran straight up.

At that point, Congress panics and puts together a “spending package” increasing the M2 money supply creating the very inflation the Fed was supposed to prevent.

Earlier in January, the non-farms payroll report (depicts how many non-farm jobs were created the previous month) blew through expectations, showing 256K new jobs as opposed to the projected 164K.

This unexpectedly caused the market to sell off since the Phillips Curve would state you should now raise rates (and the market knows there are “Phillips Curves” at the Fed).

OVERBLOWN SELLOFF

When I wrote to subscribers however, that the selloff was overblown and the market would recover and rally, which it did.

The Fed will eventually realize that people actually working is more important than a rate cut. No stimulus is needed in this country...other than the dilemma of high mortgage rates which need to come down unless wages go up.

Today I read a headline that said the "Labor Market need not cool off anymore".

This is great news since there is now going to be less emphasis on how full employment causes inflation...because IT DOESN'T.

The Fed needs to read the room...slow and steady rate cuts will help get people into houses.

HISTORY REPEATS ITSELF

We are in a market very reminiscent of 1995-2000. Fairly high interest rates and a huge move in technology and financial stocks.

Technology had a small setback recently but is still a viable sector for traders and investors.

I am also targeting financials and keeping my eye on oil stocks.

Stocks with previous massive moves are staying on my radar as well, for example Potash stocks like Mosaic.

Also, we've had huge gains on Coinbase (COIN) in the past, and it can still move much higher since it's one of the only crypto exchanges trusted by the masses since it's a US publicly traded company.

They charge higher fees, but of course they can because they currently have all the monopoly money.

Overall as the Fed gives up on the Phillips Curve, at least a little bit, I think that's bullish for stocks and a strong dollar will be great for foreign direct investment creating jobs.

THE BOTTOM LINE: Bullish

If the Fed goes easy on rate cuts and the dollar stays high, and we're at full employment with low inflation, the market should continue trending higher.

Meet The Expert

Neil
Batho

Long-Time Trader & Investor

Neil writes commentary on the market, economy, finance, and trends in the marketplace in order to get you in the picks and sectors that can move right now.

Neil issues model portfolios for individual traders to trade in Stocks/ETFs, Options, and Crypto.

Neil has a Bachelor in Finance, Minor in Economics, and was an NCAA Div. 1 ski racer and on the University Dean's List and a former Series 7, 63, 65 fully licensed Financial Advisor.

Neil uses his knowledge and experience to see "through" what the Fed is saying while using historical trend analysis to get you into trades like technology since 2022 since he knew rising interest rates favor tech stocks since tech companies have billions in cash.

Long term readers were also warned of the crashes in 2009 and 2020, profiting in a big way on the downside while buying at the bottom. Or, at least staying out.

Recent successes were 55% in 2022 when the S&P500 was down -18% due in large part to being in the right sectors. Oil, Natural Gas, and Potash. In fact, energy was the only sector up the entire year proving that sector allocation is the most important thing in trading as we were heavily weighted in energy since the first trading day of the year. A $100,000 account in the S&P500 would have been only $82,000 at the end of 2022, while an account trading our picks would have been at $155,000, an 89% difference. We are still well ahead of the market since 2020.

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