



The Month in Review

April Takeaways

- *As promised in the last note, we will take a brief look at the technical picture of the market before moving on to “weightier” topics.* While many investors consider technical analysis nothing more than techno-mumbo-jumbo (as my former boss liked to call it), since so many people pay attention to it, alas - so must we.
- *Getting right to the issue, the current technical picture of the market is positive.* We had a brief hiccup at the beginning of March when the indicators started looking bearish in the face of continued bond market jitters. However, things quickly reversed and all indicators are signaling full speed ahead (or at least cruising speed) for the immediate future. We will have to see what May has to offer on this front.
- *Meanwhile, looking at the fundamentals, there is good reason to subscribe to the positive technical signals we are getting.* On the economic front, the recently revised first quarter GDP number thundered in at 6.4%, suggesting we may be seeing the beginning of the end for the COVID-19 recession and the beginning of the Great Re-set! We also got good news on the employment front, where jobless claims continue to retreat to pre-pandemic levels and more big cities start (or at least try) to re-open. All good stuff!
- *Around the middle of April, I got a pleasant surprise.* As regular readers know, the negative year-over-year earnings have been the one big obstacle to a sustained recovery since the weakness on the earnings front is a direct threat to current valuations. While we may not be out of the tunnel we have been in the past year, there are encouraging signs that the light we are seeing may not be an oncoming train ([Relative Value chart](#).) Sorry, bad news bears.
- *Now on to “weightier” topics.* Those of you who know how we run our proprietary investment platform, iCore, understand that the iShares driving the process get “re-shuffled” annually with individual stocks migrating across the style boxes depending on their stock rank and value/growth orientation. This is a fascinating exercise as it directly affects our view of the best segments in the style grid to take advantage of.
- *We have been over weighted in small caps for the better part of two years.* The trade lagged initially but finally put us comfortably ahead of the boring (and lazy) style-neutral strategy. On May 7th, iShares will “lock-down” its various rankings for re-balancing at the end of June. This one is going to be interesting! More next month.

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