Christian Money Manager: The Best Offense Is a Good Defense

The NASDAQ 100, S&P 500 and Junk Bond Indexes are trading below their 50-day moving averages (DMA), which tells me risk is rising. My line in the sand was crossed last week, so I went to an all-cash position in LIONX as I did in February when the indexes fell below their respective 50-DMAs. I would rather be out of the market wishing I were in, instead of being in the market wishing I were out. In other words, I would rather miss an opportunity than potentially lose money. Said another way, nothing good happens after midnight or below the 50-DMA.

Historically, I believe the 50-DMA is where many institutions commonly support their favorite stocks. If big money tries to support their favorite stocks at the 50-DMA and the sellers overwhelm the buyers, then the stock could fall below its 50-DMA, indicating to me that risk has been elevated. Historically, the junk bond market has been a good indicator of investors' appetite for risk, and it is currently telling me that risk is rising. Therefore, I believe caution is warranted.

However, I think the market is digesting recent gains, and it may take a while to shake out the weaker hands before the big money buying can dominate the indexes once again. Nevertheless, I try to follow price and volume and not what I believe, and I see elevated risk in the market. Therefore, I will get back invested when I am convinced that risk has subsided, and the market has the potential of rewarding me for taking risk. On a positive note, the indexes and FAANG stocks have held support and are rallying into their respective 50-DMAs. If they break above their 50-DMAs on above-average volume, then I plan to dip my toe in the water. I believe LIONX has plenty of capacity to grow, so please help me spread the good news! (There is no guarantee that any investment will achieve its objectives, generate positive returns or avoid losses.)

The Fed increased its balance sheet again by $29 billion last week, so the uptrend appears to be encouraging! I expected the Fed to step on the gas ahead of the election, but the market does not care what I want. It does what it does, and I attempt to follow its lead. I believe the market was factoring in another stimulus package, and now maybe the market does not think it will happen before the election. Although, I did hear talks of a smaller $2 trillion spending package that may have some merit. No one knows what will happen, and we all have opinions and biases. I have found in my 30-plus years of managing risk that there are times to be invested where I water the flowers, and there are times to go fishing where I pull some weeds. I believe this may be a time for caution, but that could change if stimulus talks look viable.

Investor’s Business Daily (IBD) changes from “Market Under Pressure” to “Market in Correction” on Thursday! IBD changed its market outlook due to above-average selling distribution. IBD does not recommend buying until we get a Follow Through Day (FTD). An FTD is a 1.5% Index gain more than three days after an Index low on greater volume. IBD claims that an FTD has preceded every bull market since 1890! It might be a good idea to heed the IBD sell signal and wait for an all-clear signal before assuming the correction is over.

Why are we been lied to? Every life is a precious gift from God, and every death is tragic. Why did the government shut down the American economy if approximately 200,000 of the 330,000,000 (.06%) Americans died with COVID-19?

The CDC estimates that 808,129 people were hospitalized with the flu in 2017-2018. As of Sept. 24, 2020, 400,840 have cumulatively been hospitalized with COVID-19. Why didn’t they shut down the economy in 2017-2018? Maybe it is because the media did not tell us to be afraid. Are scared people easier to manipulate? Perhaps the media wants us to believe their narrative and not vote for a specific person?

I believe darkness hates the light, and the truth represents the light. Fear is not from God, and the truth will always set you free. Please do not let anyone steal your peace. God gives us freedom, and it is sad when the government tries to take it away with forced lockdowns and mandatory mask-wearing. I pray that you challenge what you see and hear and have the courage to believe the truth!

Bottom Line: Risk appears to be rising, and now may be a time to take some chips off the table. LIONX is in cash waiting for the indexes to trade above their 50-DMAs before committing capital back in the market. Sometimes our best offense is a good defense. Remember that cash is a position, and sometimes you can win by losing less. I remain defensive with a humble heart, and I try hard to rely on wisdom from God and not lean on my understanding. Believe the truth, dispel the lies and trust the Holy Spirit in your heart. God is for you and not against you, and He will never leave you nor forsake you. That is the truth!

“You shall know the truth, and the truth shall set you free” (John 8:32).

Click here for the LIONX 2nd Quarter Fact Sheet

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