Stock Market Update: Inflation Trade Is On, Dollar Is Dropping

The Issachar Fund is invested in growth stocks with accelerating earnings and sales. My time-tested growth strategy has worked well for us, but it is not always in favor. Therefore, I remain flexible and try to stay in sync with the trends that are working. I adapt my disciplines and adjust the sails to capture the majority of the up trends and avoid the bear markets. We own retail, commodity, construction and reopen/recovery stocks that seem to be under accumulation.

It feels as though there is a stealth correction beneath the surface in last year's leaders while the indexes hold and base allowing new leaders to emerge. The old high P/E tech/growth winners from 2020 have become the 2021 laggards, and this rotation is good because the smart money does not seem to be leaving the market but instead finding a new home to invest. Issachar held many high P/E growth stocks in 2020, but now we own a majority of lower P/E growth reopen/recovery stocks. The weak employment report caused the dollar to drop on Friday, forcing commodity prices higher, which caused inflation to rear its ugly head. Excessively creating more money out of thin air will eventually lead to more money chasing fewer commodities, leading to higher prices. The market has been a vast forward-looking discounting mechanism, and it may be telling us that inflation is coming sooner than most would like. I say we make some hay while the sun shines. (There is no guarantee that any investment will achieve its objectives, generate positive returns or avoid losses.)

The Fed continues to boost its balance sheet by another $30 billion last week to a near all-time high! As long as the Fed is allowed to continue to print money, the government will find a way to spend it. However, the steep drop in the dollar on Friday to the February low could be a warning sign to our tax and spend government. If the dollar continues to fall another 1% to the January line of support and support is not held, we could see the dollar freefall, which could be ugly. I pray that our government would follow God and the Constitution to get us back on the right track, but that is not what I see. However, I believe most Americans would favor free-market capitalism over socialism if they were told the truth!

Bottom Line: Issachar is invested in growth stocks that should benefit from a faster-growing economy as America returns to work. The inflation trade seems to be in focus as the dollar continues to decline. The reopen/recovery stocks appear to be under accumulation, and that is where I see opportunity. If I am wrong, I do not plan to stay there. I plan to adjust the sails and let the wind steer us in the right direction. Of course, God controls the wind, so I follow Him above everything!

“The wind blows where it wishes, and you hear its sound, but you do not know where it comes from or where it goes. So it is with everyone who is born of the Spirit” (John 3:8).

For more information, read the first quarter fact sheet and listen to *Biblical Stock Market Updates* on the Charisma Podcast Network.

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