Caution Flags Are Flying, but This Money Manager Is Still Invested

The Issachar Fund (LIONX, BRI, ESG) is 58% invested in 22 leading growth stocks on Sunday, Sept. 20, 2020. I did some buying and selling last week to realign LIONX with the current technical pullback. The NASDAQ 100 Index (NAZ) is trading below its 50-day moving average on higher volume, but it is holding its recent line in the sand, so I am constructive and encouraged. I believe this is a normal correction in an uptrend that may need a little time to digest recent gains, and it is not a fundamental change like we saw in February.

The stock leaders are still hanging in there, and new leaders appear to be emerging out of bases, so I believe the rally yet may have more legs. I see a lot of sector rotation, and I think that is a good sign versus the money going cash. Sector rotation historically tends to keep things propped up, so I remain cautiously invested. As long as the money stays "in the market," I believe it will find a place where it is welcomed, and that is where I am hunting this season. (There is no guarantee that any investment will achieve its objectives, generate positive returns or avoid losses.)

The Fed increased its balance sheet last week by $54 billion. When the Fed buys $54 billion of bonds, the proceeds often have a way of trickling down into the stock market, lifting many boats. I believe the Fed has our back and will do whatever is necessary to support the market and the economy to ensure a Trump victory. The Fed announced last week that it plans to keep interest rates near zero until 2023. That is an enormously powerful statement that can create a considerable degree of certainty for companies to plug into their business planning models. Lower interest rates often correlate to a weaker currency, which can help exporting companies. As companies export more, their profits typically rise, especially when they convert their overseas earnings into local dollars. A weak dollar helps with exports, which helps with our trade imbalance, and the more we export, the more America tends to profit.

Bottom Line

The Nasdaq is down about -12% from its recent high on Sept. 2, and I believe the correction may have run its course. I see money slopping and chopping in the market going from stock to stock and not a lot of money going to cash as I saw in February, so I am bullish, but caution flags are flying. Many stock leaders that led us out of the March low have been beaten up pretty bad in this technical correction, but I do not see this as a fundamental shift as we saw in February. We may need a little time for the leaders to take a breather and form new bases. However, I am still finding new leaders with accelerating earnings and sales and constructive chart patterns. I believe the Fed is still on our side, and I do not see that changing anytime soon, so I expect a rising tide of newly created Fed money to lift many boats.

I am proud to be an American but more proud to be a son of the Most High God. I pray you know who are and whose you are and fulfill your God-given destiny.

“Because you are sons, God has sent forth the Spirit of His Son into our hearts, crying, ‘Abba! Father!’ Therefore you are no longer a slave, but a son; and if a son, then an heir of God through Christ” (Gal. 4:6-7, NASB)

Click here for the LIONX 2nd Quarter Fact Sheet.

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