Bullish or Bearish or BOTH???

The stock market (SPY) is becoming more complicated by the day. Bulls make a good case given the recent rally. But so do the bears given the clear weakness in the economy pointing to recession. Who is right? And how best to trade the market in the weeks and months ahead? 40 year investment veteran Steve Reitmeister shares his balanced views in this fresh commentary below….

Why are so many investment experts still calling for a bear market?

And just as interesting…why are so many equally talented investors saying the new bull market is already here?

Because investing is an inexact science leading some to rely on economic data…while others prefer to read the charts…or the expression on Powell's face… or astrology signs or….(fill in the blank with the nuttiest thing you can think of).

So what is an investor to do when there are so many well-reasoned opinions that are giving such contradictory conclusions?

That will be the focus of this week's commentary.

Market Commentary

I believe the best way to tell this story is from a very personal place. That being where I have an Economics degree and most certainly diagnose the market from a fundamental point of view.

Early on in my career I used to make fun of chartist for playing the market like a video game instead of taking it more seriously with fundamentals. Yet that was quite foolish on my part as I have come to greatly respect many of the leading chartist like Kevin Matras of Zacks and JC Parets of

AllStarCharts.com. There is simply no denying their keen insights on market direction.

Now let's move the conversation forward to Wednesday's Fed meeting. I was already bearish beforehand…as are the majority of market commentators at this time. And I became even more bearish after the announcement. Amazingly, others saw it differently as stocks 3% from the time of the speech into Thursday's close.

I went to bad Wednesday night angry, confused, dejected, perplexed, and downright flummoxed.

But then something dawned on me in the early hours and could not get back to sleep. This led to the following trade alert that I sent out to Reitmeister Total Return members on Thursday morning.

I have edited it for the purposes of our conversation today and will follow it up with some additional notes.

[Trade Alert] Less Stubborn Steve

As you likely understood from last night's commentary, there is no way for me to watch Chairman Powell's speech yesterday and not be firmly bearish. Keeping hawkish policies in place through the end of the year + 12 months of lagged effects + very weak economic data at the moment = ample window to create recession w/ job loss and lower stock prices in the months ahead.

On the other hand, I want to share with you this conversation from a month ago that haunted me all night leading to this morning's email. I was asked to provide an answer to the following question:

What's one lesson you learned in 2022 that you'll take with you into 2023?

To which I answered: *"I finally got bearish in May with the*

market closer to 4,100. Earlier than most…but later than it needed to be if I focused on the clear break below the 200 day moving average in April around 4,500. Acknowledging that proven signal would have improved my results ***and will be mindful to heed that warning in the future****.”*

The only way to rectify these 2 opposing positions is to strike a middle ground. To become less bearish in our portfolio to enjoy more upside if the bulls are correct with their recent rally above the all important 200 day moving average.

Just as important is not becoming so bullish as to have the rug pulled from us on a future date when the economy could tip over into recession with stocks descending once again. The solution is to make the following trades that move us to 36% long the stock market from the previously 0% long bearish hedge.

(trade tickers reserved for Reitmeister Total Return members)

…I could have accomplished the task with many different combinations of trades. So don’t spend too much time thinking about that. If you see another path to get to the same destination then take it. The key is that we are no longer totally bearish. We are now a shade bullish.

If the wisdom of the bull rally grows larger, we will keep ratcheting up our bullishness in the portfolio. Mostly with stocks with top POWR Ratings. Whereas, if we break back below the 200 day moving average, then we will get back in our defensive bearish hedge once again by selling (Risk On assets) and adding back appropriate inverse ETFs.

I absolutely can be a stubborn person with strong convictions. And it would be easy for me to remain bearish given the economic facts as I perceive them.

However, I am also open minded enough to realize when I am

being a hypocrite and going against sound logic. (like ignoring the time tested benefits of 200 day moving average breakouts). That is why this is the prudent move that gives us plenty of flexibility to change in the future.

Heck, if the bear market started back in earnest this afternoon…then at only 36% long we would lose a lot less money than most. And as we crossed back over the 200 day moving average reverting back to our bearish hedge would have us producing profits as the market descended lower. That is not so bad for a "worst case" scenario.

However, if the wisdom of the crowd creating this rally is indeed correct, then we will be glad that we started to participate in the upside at this stage instead of much later.

In closing, I want to share this valuable lesson.

The investing world is rarely straight forward. That is why there are so many incredibly intelligent players who have well reasoned views that are 180 degrees opposite of each other. Thus, at its most confusing moments it is often wise to strike a balance as we are doing today.

It is better to be partially right than 100% wrong!

As time rolls on, and greater clarity emerges, it becomes easier to shift to the wisest course of action. For now, we will straddle the bullish and bearish camps by making the 3 trades above. No doubt there will be more trades to come.

Let's stay nimble with our thoughts and swift with our actions."

(End of 2/2/23 Reitmeister Total Return trade alert)

Taking back to the top…there are many sound opinions from a myriad of seasoned investors. In the end some will be right and others will be wrong.

Your challenge is to determine what to do now.

If you are like me…and realize there is competing sound logic, then you do not have to make a binary, yes/no decision. You can find a nuanced approach that provides appropriate balance.

Just remember you are not married to whatever approach you chose. That's because your investment strategy should be ever evolving.

Not just about being bullish vs. bearish. But also considering if it is time for…

growth vs. value

large caps vs. small caps

what sectors are hot vs. which are not

I have looked in the mirror and made an appropriate change in my strategy. Time for you to do the same.

What To Do Next?

Watch my brand new presentation: "***Stock Trading Plan for 2023***" that will help you assess the full bull vs. bear case to create the right trading strategy. It covers vital topics such as…

- Why 2023 is a *"Jekyll & Hyde"* year for stocks
- How the Bear Market Could Come Back with a Vengeance
- 9 Trades to Profit Now
- 2 Trades with 100%+ Upside Potential as New Bull Emerges
- *And Much More!*

Watch "*Stock Trading Plan for 2023*" Now >

Wishing you a world of investment success!

Steve Reitmeister…*but everyone calls me Reity (pronounced "Righty")*
CEO, StockNews.com and Editor, Reitmeister Total Return

SPY shares closed at $412.35 on Friday, down $-4.43 (-1.06%). Year-to-date, SPY has gained 7.82%, versus a % rise in the benchmark S&P 500 index during the same period.

About the Author: Steve Reitmeister



Steve is better known to the StockNews audience as "Reity". Not only is he the CEO of the firm, but he also shares his 40 years of investment experience in the Reitmeister Total Return portfolio. Learn more about Reity's background, along with

links to his most recent articles and stock picks.

More…

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