Stock Trading Plan AFTER the Fed Meeting

If you were to ask Chairman Powell if there is a "dovish tilt" by the Fed who would say emphatically no. That is because they are open to raising rates again if needed. However there is ample reason for investors to call his bluff given numerous facts in hand that say inflation coming down…rate hikes over…and time to plan for rate cuts in the year ahead. As such the S&P 500 (SPY) sprinted to new highs above 4,700. What happens next? And how can stock investors outperform? That is what investment pro Steve Reitmeister covers in his latest market commentary that includes a preview of his top 13 picks for today's market. Read on below for more.

Investors enjoyed one of the best possible outcomes from the 12/13 Fed meeting. That being a clear dovish tilt in their language pushing the S&P 500 (SPY) to new highs on the year.

As per usual, Chairman Powell played up the flexibility the Fed needs and they "*could*" raise rates again. But that was fairly hollow when the updated dot plot from Fed officials showed no more rate hikes on the way and 3 rate cuts in the year ahead. With that stocks pressed on the gas pedal to further accentuate the bull run that started after the 11/1 Fed meeting.

Let's review the key details from the Fed announcement and what that means for our investment plans in the weeks and months ahead.

Market Commentary

Even before the Fed took center stage on Wednesday we already got good news from the PPI report that morning further pointing out the improvements in the fight against inflation. Core PPI is now down to the Fed target at 2% while the full

PPI reading is even more tame at only +0.9%.

Remember that PPI is the leading indicator of what shows up in the readings more vital to the Fed like CPI and PCE. So, this bodes well for lower readings in the future…and the Fed feeling confident to in following through on their dovish language tilt with the actual lowering of rates.

The above did not factor into the Fed announcement that afternoon at 2pm ET…but did prove that the Fed does see many of these positive developments in place. Holding rates steady was a given. But what got stocks off to the races, and bond yields moving even lower, was Fed expectations for 3 rate cuts in 2024 and another 4 in 2025.

Most know that the Fed typically understates these plans to give themselves some wiggle room to change course if needed. The simple fact that there is less talk of hikes…and more talks of cuts, tells you that the Fed has very likely managed a soft landing for the economy this cycle.

It is interesting to see how investors changed their outlook from the FedWatch tool from the CME. This is where they measure how investors are weighing the odds of rates in the future.

The next Fed meeting is set for January 31, 2024. Only a month ago odds of a rate cut were nearly non-existent at 2% probability. That has spiked to 21% as of today with this fresh information in hand.

Even more revealing is the 82% odds of a rate cut for the March 20, 2024 meeting. Some even thinking it could be a half point cut.

When you appreciate the above information…and how that would be a catalyst for the economy and earnings growth…then you understand why stocks have rallied so hard on this dovish tilt from the Fed.

HOWEVER, I do think that expectations do need to be tempered for the future. That's because much of that positive chain reaction for stocks is already showing up in current share prices. This fits under the well understood concept that investors make their selections today based upon what they expect 4-6 months down the road.

This also matches with what I shared in my 2024 Stock Market Outlook presentation where I discuss the likely continuation of the bull market in the year ahead. Yet where the path to stock market gains will be very different than 2023.

Meaning that blindly putting money in just mega cap tech stocks is overplayed and that group will underperform in the year ahead. Instead, the 4 year advantage for large caps over small caps should end with the latter finally taking the lead.

This overdue and healthy rotation has already been present since this recent bull run began in early November. And was further accentuated on the Wednesday rally when the Russell 2000 rose +3.52% versus +1.37% for the S&P 500.

Thursday was more of the same with the small caps in the Russell 2000 adding on another +2.72% once again far outpacing the large cap centric S&P 500 at only +0.26% on the day.

I expect this small stock advantage to continue to play out in 2024. Perhaps not as pronounced as what you see above…but they should outperform by a good stretch in the year ahead.

That is why our portfolio is gladly tilted in that small cap direction…and enjoying very strong recent performance. More about that in the section below…

What To Do Next?

Discover my current portfolio of 11 stocks packed to the brim with the outperforming benefits found in our exclusive POWR Ratings model.

This includes 4 small caps recently added with tremendous upside potential.

Plus I have added 2 special ETFs that are all in sectors well positioned to outpace the market in the weeks and months ahead.

This is all based on my 43 years of investing experience seeing bull markets…bear markets…and everything between.

If you are curious to learn more, and want to see these 13 hand selected trades, then please click the link below to get started now.

Steve Reitmeister's Trading Plan & Top Picks >

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 were trading at $469.98 per share on Friday afternoon, down $2.03 (-0.43%). Year-to-date, SPY has gained 24.26%, 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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