

# MARKET UPDATE



## TRADE WITH THE TREND, NOT WITH YOUR HEART

Report by Todd Carbone

We are in a confirmed market uptrend with institutions continuing to support the market with capital. The few down days in the market have been low in volume, thus showing the institutions are still confident about this recovery. However, when we do have down days, it feels like the world is ending again. This is a reminder that the market does not care how we feel, but sometimes it is difficult to control our own emotions, thus depicting our human qualities that we are not robots. The lesson to learn when investing, we should act like robots and stick to our buy and sell rules, regardless how we feel... The number is the number, it is that simple. Sometimes we get in the way of ourselves. Let the price action on the chart dictate your actions.

One could argue that a depression is coming, and things are going to get worse, but the market is up 20% from its bottom. If a depression is coming, why are we up 20% from the bottom, shouldn't it be zero! Ironically, it does not work that way. The stock market is a discounting mechanism, were the current price reflects the future. It is more than likely, this year's market is at a discounted level and is pricing in next year's valuations.

We had a similar pattern in 2009, where the bottom rally also hit up 20% before the market grew over 200%! This recovery has similar market traits as other recoveries over history. The market gets hit with a new crisis, asset prices tumble and each of those scenarios have different themes and feelings; but the market action is the same. The Federal Reserve steps in and helps stabilize markets and Corporate America adapts. The key word here is "adapt" – isn't it amazing how us humans have already adapted to this change? Do not get me wrong we can not go about our everyday, but I have adapted in enjoying the times and keeping

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busy. Over millions of years mankind has adapted to their environments for survival, but also out of pure necessity.

In summary, do not miss this huge opportunity of a lifetime due to your feelings or what you speculate might happen. Let the stock charts paint the picture for you, since stock prices do not have feelings. Trade with the trend, not with your heart.

The Capital CS Group remains in the office to guide you through today's market conditions.

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