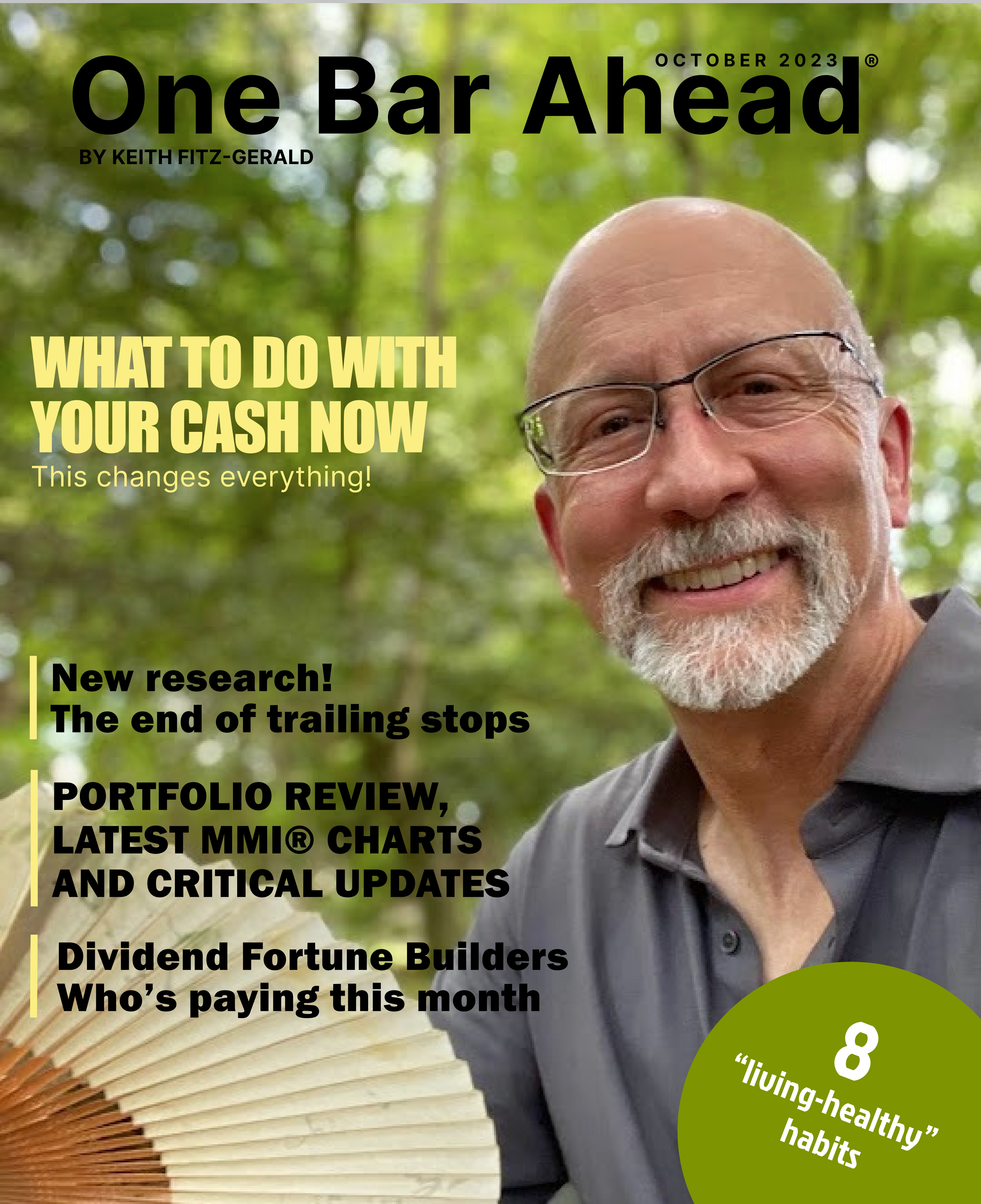
SEDG 121.06 ▼ | WDC 46.66 ▲ | PFE 33.76 ▲ | CCL 13.34 ▲ | ABNB 123.67 ▼ | TAC 8.50 ▲ | TLSA 261.16 ▲ | STNG 50.50 ▲

OCTOBER 2023

# One Bar Ahead®

BY KEITH FITZ-GERALD



## WHAT TO DO WITH YOUR CASH NOW

This changes everything!

**New research!**
**The end of trailing stops**

**PORTFOLIO REVIEW, LATEST MMI® CHARTS AND CRITICAL UPDATES**

**Dividend Fortune Builders**
**Who's paying this month**

**8 "living-healthy" habits**

# Disclaimers

## Important Information You Need to Know



## Publisher's Statement

One Bar Ahead®, a digital magazine (ISSN 2766-7863) is published 12 times per year electronically by Keith Fitz-Gerald Research.

Known office of publication is 1417 Sadler Blvd, PMB 415, Fernandina Beach, FL 32034, USA. Customer Service: subscribers@keithfitz-gerald.com. Telephone: +1 623-777-6737

Keith Fitz-Gerald's ONE BAR AHEAD™

## Dear Reader,

Historian and author David McCullough (1923–2022) famously said that *"history is a guide to navigation in perilous times."*

I agree, but not for the reasons you might think.

McCollough's words are often misinterpreted as a warning that those who fail to learn history's lessons are doomed to repeat it, but that's actually an ode to Irish statesman Edmund Burke (1729-1797).

In fact, McCullough's message is exceptionally *positive*.

Here's why.

The more we know about our past, the more effectively we can chart a path into our future. I believe that's as true in life as it is in the financial markets.

Wall Street's lawyers and scores of regulators would have you believe that past performance doesn't guarantee future results; that's true. However, I submit, it influences the decisions we make with regard to what happens next.

History isn't just a blank slate of "stuff" that happened in the past like many think and, sadly, our educational system seems to teach these days. Nor is history something to be dismissed or taken lightly.

The truth of the matter is that how we lived in the past has a direct impact on the way we live now and the way we will live in the future.

Especially when there's a personal connection.

I ran into that at 1,000 miles an hour recently when my bride and I got hooked on *1883*, the first of two prequels to Kevin Costner's smash hit, *Yellowstone*.

If you haven't seen *1883*, I recommend you watch it if for no other reason than it's some of the most powerful TV I've seen in years. The cast includes Tim McGraw, Faith Hill, and Sam Elliott, among others.

The story chronicles the fictional Dutton family's journey by wagon train from Tennessee into the American West. It is undeniably bleak, gritty, and powerful. Yet, at the same time, it's a story of dreams and triumph over harsh weather, disease, malnutrition, bandits, accidents, confrontations with Native Americans, and more.

After the first episode, quite unexpectedly I found myself moved almost to tears when my eyes unconsciously drifted from the TV to an antique mandolin sitting on our family room shelves.

I sat speechless for what had to have been a good five minutes.

Noriko sat quietly next to me with a knowing look.

You see, my family made the very same journey chronicled in *1883* at nearly the exact same time… by wagon train from Tennessee to Oklahoma. I'd heard the family stories about how they left in poverty, struggled to make the journey, and ultimately settled, but I had never put two and two together until that moment.

*Holy crikes*, I thought to myself… *my great-great-grandmother carried that very mandolin along the way as a young girl on the wagon*.

What stories could it tell about the conversations it heard or who played it, I wondered. Would the dreams it held back then live on today?

I'd like to think so.

In a sense, we are all pioneers right now.

I say that because the rules of money are changing as we head into an unknown future, which will, in all likelihood, be very different from the past we've known all our lives.

We could stay home if we wanted—and I get why that's a very appealing idea for many—but the journey forward beckons.

Yes, there are risks—that's a fact of life—but odds are every single one of 'em is an opportunity to embrace something new that leads to change, progress, and profits.

History is very clear.

Every stock market downturn has been followed by a spectacular era of new investments, new profits, and new ways of doing things. People forget that the Polaroid camera, the jet engine, sliced bread, nylon, and even ballpoint pens were all invented during the Great Depression.

It is more vital than ever that we don't give up!

Not in life.

And especially not in the financial markets.

Many of today's challenges will prove to be extraordinary investment opportunities. They just won't be apparent until we can look back at the journey when it's faded into the rear-view mirror and, for that matter, the history books.

Preparation is key.

That’s why we’re going to start our time together this month with something that’s absolutely critical… what to do with your cash right now.

Rates have crested to levels not seen since 2007, and that means we can think about a very specific segment of the short-term US Treasury market as an investment. I am particularly partial to the fact that what I am proposing can also be a significant source of income AND stability at the same time.

Then we’re going to tackle something I’ve been chewing on for a while… trailing stops.

What I have to share with you may come as a complete shock or a relief, depending on your perspective. Either way, you might want to grab a cuppa your favourite libation before sitting down and having a read.

Of course, there’s also the latest MMI charts along with updates on OBA Recommendations making headlines. Contrary to what the news and legions of click-bait artists would have you believe about the macro story, the investment outlook remains much *brighter* than you’d think.

It’s an important distinction, and one that I encourage you to keep front of mind because doing so will help you remain focused and considerably calmer. Moreover, I think it’s a tremendous help in the motivation department, too.

And finally, we’re going to wind up with 8 habits for healthy living, every one of which sets the tone for a vibrant, fulfilling life. New research shows that you really can be your own superhero, especially if you master things you once thought impossible.

Thanks, as always, for being part of the One Bar Ahead® Family!

Best regards for health and wealth,

*KF*

PS: Please don’t hesitate to send in suggestions, comments, questions, and pictures of your latest adventures. My team and I read everything we get because a) we enjoy making new friends and b) keeping up with the OBA Family! Besides, and honestly, YOU impress the heck outta us! The address is subscribers@keithfitz-gerald.com.

**Other ways to keep in touch**

keithfitz-gerald.com/youtube

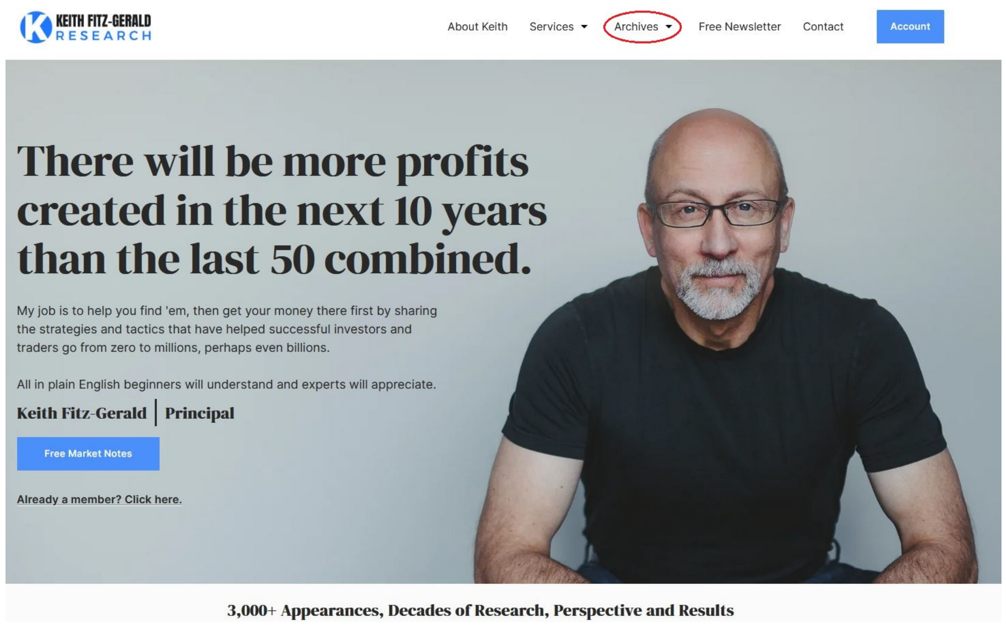
@keith.fitz.gerald

@fitz_keith

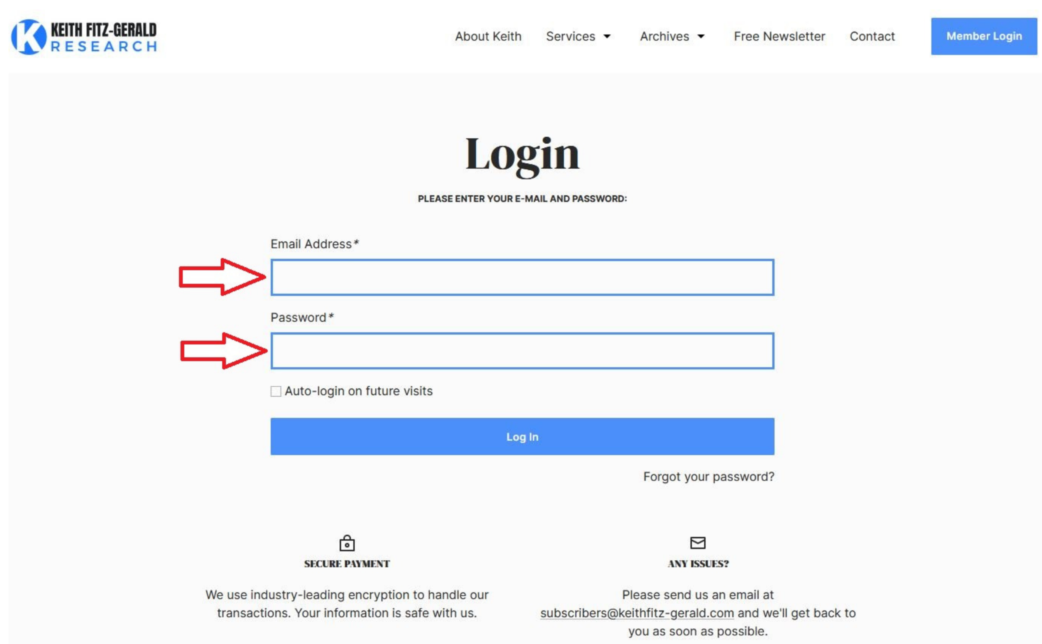
www.onebarahead.com

# How to access the OBA archives

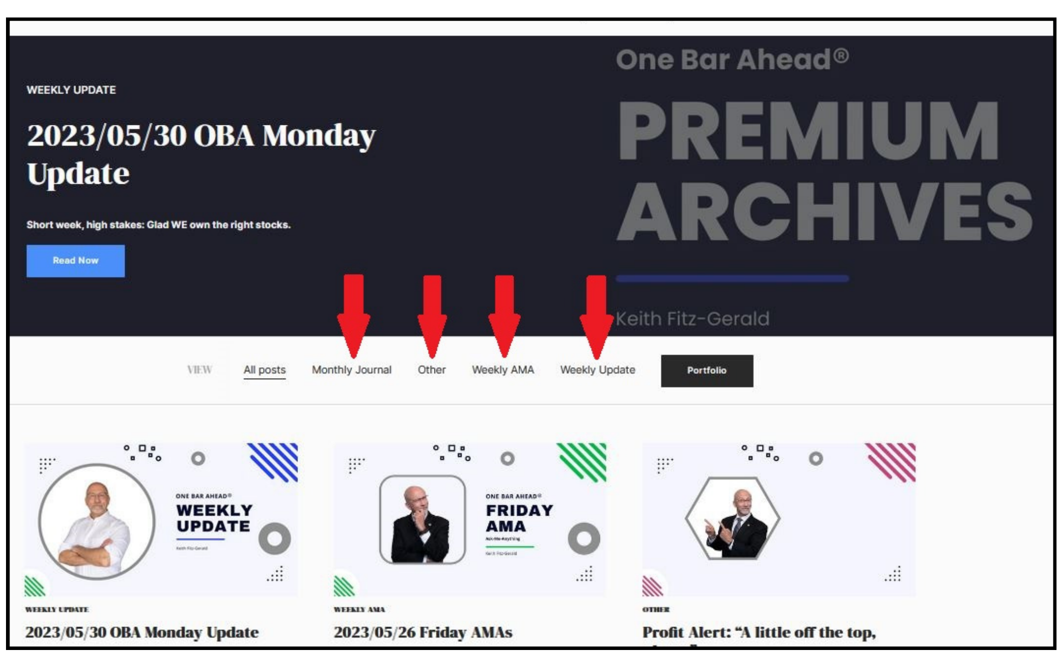
1. Go to https://www.keithfitz-gerald.com/ and click “Archives”




2. You will be asked to log in.
(If your password doesn’t work, try resetting it.)




3. Filter by what you’re looking for, and voila!




If you try the above steps and that doesn’t work, please contact us at **subscribers@keithfitz-gerald.com**

Chapter 1

# WHAT TO DO WITH YOUR CASH NOW

It's a springboard for your next move

# WHAT TO DO WITH YOUR CASH NOW

Rates up… markets down…

It's been the story of our lives since last July.

I could write to you about the importance of buying low and selling high.

I could pen a column about the importance of positive thinking in the face of overwhelmingly negative price action and sentiment. Or the need to add to great stocks trading at a discount as a way of increasing your profit potential, especially those that have dropped by 20% or more from their highs.

But you know enough about all of those things.

What I want to do today is talk about what to do with your cash.

**The setup couldn't be more perfect.**

Rates have finally approached levels that are simply too good to be true.

The US 10-YR Treasury crested 4.8% earlier this week, a level not seen in 16 years. Meanwhile, the 30-YR Treasury hit 4.925% earlier this week, also the highest level on record since 2007.

Wall Street's experts are chalking up what's happening to seasonal weakness and a strong labour market, but that's not quite right.

*The markets are selling off because investors fear that the Fed won't recognize slowing economic growth despite a mountain of evidence that it's happening.*

Mark my words, you do not want to dally or take what I am saying lightly.

Stocks haven't been this hated in a long time, which means, herd behaviour being what it is, that you want to hang on and stay IN the game if you can. Particularly if you're reinvesting and especially if you're as keen to get shares of great companies at a discount as I am.

Short-term Treasury rates are now high enough that we can think of 'em as an investment springboard for stock purchases later this year and into 2024.

Plus, buying 'em now will help add overall portfolio stability at a time when that's super important.

## Where & how to buy

You can buy Treasuries through a broker or directly from Uncle Sam via TreasuryDirect.gov where the minimum purchase is $100. If that name—TreasuryDirect—is familiar, it should be because that's the same place I encouraged you to turn for Series I Savings Bonds a while back.

Signing up is super simple and very straightforward, but you will need a US address, a Social Security number, and a bank account. Then you'll need to place a bid, which—once accepted (assuming it's accepted) at auction—will result in short-term Treasuries being deposited into your account.

There is some discretion involved, and you need to be aware of that upfront. The most common maturity dates for T-Bills like what we're talking about here today are 4, 8, 13, 26, and 52 weeks.

The interest (aka yield) is the difference between how much value you will receive when the Treasury bills mature and how much you pay to buy 'em.

My preference, though, is the one I'm recommending today.

# WHAT TO DO WITH YOUR CASH NOW

## The iShares 0-3 Month Treasury Bond ETF (SGOV)

I believe the Fed will hike 2 more times, once into the tail end of this year and once in Q1 2024. I know that stands in contrast to mainstream opinion, but, hey, what can I say… we've been right since I called bull-feathers on the Fed when it first uttered the word "transitory."

SGOV gives us very targeted, very specific exposure to a narrow slice of the US Treasury market… bonds with remaining maturities less than or equal to 3 months.

The beauty is threefold:

First, SGOV is an ETF, which means that any complexities associated with selection and management are handled for you in a single, easy-to-buy, accessible solution.

Second, the fact that this is a super-short-term proposition means your cash does not get tied up for long periods of time, which, in turn, reduces something called *duration risk*—meaning how sensitive a bond is to changes in rates.

If that doesn't make sense, think about it this way. Short-term Treasury bills mature in a matter of months, so their prices are less sensitive to interest rate changes than longer-term Treasuries.

And third, higher rates are now high enough that we can consider even the 0-3 month window as a combined income booster and portfolio stabilizer because of the ultra-low, non-correlated behaviour between stocks, bonds, and the Fed's "damn the torpedoes" approach to higher rates.

Some advisors are advocating "laddering" maturity dates—meaning buying Treasuries with progressively longer maturities—but I don't see any reason to do that, given that the higher duration risk isn't appealing. Besides, we've already got RCS as a complement.

SGOV has a super-low expense ratio of just 0.13% and a net expense ratio of 0.07%, according to iShares as I type. The NAV is $100.25, which means you'll pay an ever-so-slight premium if you elect to purchase.

## How much to buy

There's no right or wrong answer.

We're talking about cash.

Personally, I am planning on putting most of my available investment account cash into SGOV over the next few weeks. Then, selling off slices as needed or desired in the future to fund additional stock purchases in great companies that we talk about frequently—including, for example, Apple, Nvidia, and Chevron, just to name a few.

The old saying that no two investors are alike rings true in this instance, which is why I encourage you to check with a financial advisor who knows your situation, risk tolerance, and objectives. That way, you can ensure that SGOV meets your specific financial goals and time horizon (which I don't know).

In closing, current conditions seem tough… particularly if this is your first rodeo.

Do NOT let that knock you off course.

# WHAT TO DO WITH YOUR CASH NOW

History shows very clearly that corrections can be turned into astoundingly profitable opportunities over time.

What's more… history also shows beyond any shadow of a doubt that learning to buy into great stocks, even when prices are off 20% or more from their highs, is an important risk-reducing skill that can boost profit potential over time by lowering your cost-per-share basis.

At the end of the day, remember one thing above all else.

Chaos creates opportunity, which is why we want to pounce on it every chance we get, and even if doing so seems scary as all heck.

You got this!

KF

Chapter 2

# IT'S TIME TO STOP USING TRAILING STOPS

## New Research!

# IT'S TIME TO STOP USING TRAILING STOPS

I was all of 10 years old, and I was convinced my life was over.

My buddies Zack, Davy, and I had set up a plywood bike jump at the base of the driveway.

Our plan was to come rocketing down from the garage, hit it at speed, and clear the puddle that formed after every heavy rain.

You can probably guess what happened next.

I wiped out.

My knees got skinned something fierce as I hit the cement. Adding insult to injury, my Schwinn tumbled over the side of the driveway bridge.

The worse part, though, was yet to come.

What to do with the Band-Aids®.

I know that sounds incredibly trivial, but what can I say—I was 10 years old. I knew I had screwed up.

There were—and, I suppose, still are—two schools of thought.

You can rip Band-Aids off all at once, in which case you get one big owie, or you can take 'em off little by little, in which case you get owie, owie, owie, owie, owie…

My grandmother Mimi sympathized in a way that grandmothers the world over seem to have mastered as we talked about my options.

"The choice is pretty simple," she said as I groused about having to stay out of the lakes and creeks I loved so much that summer because the doctors thought it best not to risk a serious infection.

You can choose a little pain for a long period of time or simply get on with it, said Mimi.

I pondered the inevitable.

Maybe something would happen so that I didn't need to make the decision myself. Perhaps my legs would heal and miraculously the Band-Aids would come off on their own.

I've never forgotten Mimi's lesson… *I could get on with my life by taking quick, decisive action or drag on unfinished business while creating more pain.*

Chances are you've heard me talk about Mimi over the years. If not, here's your brief introduction to one of the most remarkable people I've ever known.

Widowed at a young age and left with a tiny life insurance settlement, Mimi became a very successful, self-taught global investor who turned a tiny nugget into everything she needed to live out her years in style and then some. She got so good at finding great companies and great investment opportunities that the Merrill Lynch brokers she dealt with would call *her* for ideas!

Her commonsense approach to investing and skinned knees played a huge role in my career over the years. Still does, in fact.

Anyway, the reason I'm sharing this story with you today is because it's time to rip off a Band-Aid of our own.

## Trailing stops are dead.

I know that may come as a huge shock, especially coming from me. I've been a proponent of trailing stops for years because they've worked so well and helped so many people from Wall Street to Main Street.

These days, however, I believe there's a good case to be made that trailing stops are more like "profit stoppers."

I also believe that any *investor* using trailing stops is far more likely to lose money than he or she is to make it. Traders are different, and we'll get into that another time.

Today, we're going to talk about what's led me to that conclusion. Then, I'm going to show you what to do about it instead.

First, though…

## Trailing stops—a quick review

The concept of a trailing stop is very simple and very appealing.

You place an order ahead of time that will trigger whenever your stock, ETF, bond, or mutual fund hits a specific price, dollar change, or percentage change limit.

The thinking is that your order "trails" the price of whatever investment you're trying to protect by a certain distance to help lock in favourable moves over time while protecting you from price action that goes against you.

Proponents, backed by very well-known and well-documented studies including my own, argue that trailing stops also help keep frayed emotions out of the investing process while introducing logic and discipline.

There are all kinds of variations when it comes to trailing stops. Examples we've talked about over the years include fixed, percentage, volatility, chandelier, parabolic SAR, time-based, and even portfolio value at risk combined with everything else.

All of which, at their core, come down to typically one of two types of orders:

1. Stop-Loss Orders: Stop-losses are orders that fill at the next available market price whenever the price at which they're set to trigger gets hit. For instance, if you set a stop-loss of $10 per share from your purchase price of $100 a share, your order will be filled at the next available market price when the price drops to $90 a share.

   There are also buy-stops, which are used to protect short positions and triggered if prices rise above the price at which they're set to trigger. Functionally, they are the same thing.

   The challenge is that the market price can be substantially different from the price at which your order is triggered because of recent and dramatic increases in intraday volatility and thinly traded, quickly moving overnight markets. Your order, for example, could fill at $89, $91, or some other amount, even though it's triggered at $90.

   Generally speaking, more liquid stocks result in fills (meaning your order is executed) that are closer to the price you stipulated in your stop-loss order. Less-liquid stocks, though, can be all over the map, which introduces something called slippage, meaning that the executed price of a trade is different.

2. **Stop-Limit Orders:** Stop-limit orders attempt to get around the limitations of stop-loss orders by specifying action AND a specific price.

   However, you know as well as I do that the markets seldom sit still for long, especially lately.

   So, for example, if you imagine the same $10 stop-loss but specify a limit price of $90 once your order is triggered, you are SOL if prices continue to drop. That's because your limit stipulates that you want at least $90 a share when your order is executed, which does you no good whatsoever if prices continue to fall to $50 or lower, for instance.

## 6 reasons trailing stops no longer work as effectively or as expected

The financial markets—like life or any other business, for that matter—are evolving constantly. Investors who want to succeed must embrace change or they are doomed to failure.

My ongoing research has identified 6 primary reasons that trailing stops no longer work as effectively or as expected:

**#1 Increased Volatility**

Estimates suggest 75% or more of all daily trading activity is now driven by computers trading so quickly that humans cannot keep up. At times, that figure can be 90% or even higher, especially when panic strikes or there's some adverse headline roiling the internet.

.

This is compounded by increasingly sophisticated Dark Pools, 0DTE options, and the rise of passive investing (indexing), all of which we've talked about extensively in the past and I've addressed at seminars more recently.

Chances are you know what I'm talking about, even if you haven't put your finger on it before.

Ask yourself how many times you have purchased a stock thinking great things are ahead, only to watch it immediately reverse course and head south for no apparent reason. Or watched in shock as a stock you've sold waffles for a moment, then breaks higher without you.

If you're like me, the answer is more than you'd like, especially lately.

You're not imagining things if you feel like the daily market action is getting more violent… because it is.

Prices are no longer serially correlated—meaning that what happened last week or yesterday doesn't matter when it comes to what happens tomorrow, next week, or next year.

This is why, for example, stocks often break down after great earnings when in the past they would have broken higher. Or bad news that would have tanked a stock in the past now results in shares shooting higher.

Long story short, trailing stops are increasingly being triggered before investors can realize the potential associated with their investments. In other words, you're getting bounced out of investments too early in the game through no fault of your own.

**#2 Order Execution and Liquidity**

The rapidly changing liquidity we talk about frequently plays into what's happening, too. That's because orders are now routinely delayed, accelerated, or simply broken up depending on market conditions and where they're being routed—all of which are conditions that can result in less-favourable fills, which, in turn, reduces the effectiveness of trailing stops.

I've noticed my own orders, for example, are often not filled or "sat on" for hours before triggering at different prices than anticipated. And I'm not talking about anything exotic either. I'm talking plain ol' vanilla buys and sells.

I've also observed "blocks" of stocks as small as a few hundred shares getting broken up into much smaller orders that are then picked up or "off" 1–5 shares at a time by much bigger players, block houses, or even market-makers themselves.

Payment for Order Flow (PFOF) is a huge part of the problem. If you're not familiar with what that is, PFOF is a practice in which brokerage firms receive compensation from market-makers or trading firms in exchange for routing their orders to them instead of directly to an exchange.

The official story is that this is an innovation resulting in cost savings for individual investors, but you didn't really think $0 commissions were "free"… did you??!!

MyPOV is the PFOF is a significant conflict of interest, totally opaque, and one that actually reduces exchange liquidity. I think it should be outlawed, frankly.

Anyway, the net result is that big players know your trailing stops to the penny, which means they can separate you from your money practically at will, simply by causing your trailing stops to trigger when you least expect it.

The way I see it, PFOF is like showing a card shark your hand, then asking him or her to bet on your behalf at the poker table in Las Vegas.

**#3 Algorithmic and High-Frequency Trading**

Dramatic increases in computing power, speed, and analytics have changed the speed and frequency with which trades get executed, which means that traditional stop-loss orders are often swept under the proverbial carpet or used to inadvertently fuel much larger market moves being made by very well-capitalized, predatory traders.

If this doesn't make sense, let me put it this way.

Trailing stops are like wearing an oven mitt when you're baking, only to learn that they won't do you a lot of good if the house is on fire.

**#4 Manipulative Trading, Headlines, and Clickbait**

Unexpected news events are normal enough, but the use of deliberately placed headlines aka clickbait, sell-side recommendations, and the like can lead to sudden price crashes or spikes that often trigger trailing stops in ways their users didn't anticipate.

Psychology and herd behaviour come into play when this happens.

The democratization of trading—a common phrase these days and a direct byproduct of what I'm talking about—is really *not* in your best interest because it interferes with price discovery and normal price action.

Historically, there's been enough leeway and enough diversity in the methods used to choose trailing stops that investors could use 'em effectively.

These days, however, predatory traders using ultra-sophisticated trading programs hunt for "clusters" of stops regardless of the methods used to place 'em. Then, they push prices just low enough or high enough to trigger 'em right before taking prices in the other direction.

Effectively, this reduces trailing stops to a 50/50 proposition because the serial price correlation I just mentioned no longer exists. Prices are just as likely to go up as they are to go down, depending on which big traders want to buy and sell and where they find the most fertile hunting ground.

**Keith's Trading Tip:** You can actually see where the merry marauders are doing their hunting by scanning the Open Interest for near-expiration options. Big open interest combined with high volume is a dead giveaway that somebody is getting ready to pounce, especially if nothing else in the options chain is moving. It's entirely your choice as to whether you want to be at the table or on the menu!

**#5 0DTE Options**

Zero Day To Expiration (0DTE) options are an especially challenging problem because market-makers and big, highly leveraged traders have figured out very quickly how to use 'em as a means of manipulating share prices in their own interest.

Billed to retail investors as a low-risk, no-margin alternative, 0DTE options now account for 40–60% of all S&P 500-related options traded. A decade ago, this number was just 5–10%, according to OptionMetrics.

The danger is one most retail investors do not understand.

0DTE options can cause violent, unpredictable price swings resulting in significant gains or losses, depending on the direction prices move.

Wall Street traders consider it the financial equivalent of a national sport to "run" trailing stops placed by individual retail investors, which again, they can see plain as day to the penny, thanks to PFOF, among other things.

**#6 AI**

Investors betting on AI to make better decisions are in for a rude awakening. Wall Street has a vested interest in protecting its way of life and the gazillions of dollars needed to do it.

It stands to reason that Wall Street traders will bill AI as a breakthrough development—wink, wink—knowing full well that they're going to stick it to individual investors again.

The other thing to keep in mind is that AI models are trained on group behaviour, which means that the problems I'm describing with trailing stops are very likely to get worse. Not better.

Imagine selling out on a 20% decline because you hit your trailing stop, for example. We know because of computerization and all the other things we talk about frequently that markets tend to recover quickly, which means anybody who went to the sidelines seeking safety potentially misses a substantial portion of the recovery that inevitably follows.

# IT'S TIME TO STOP USING TRAILING STOPS

Most investors don't understand just how significant a challenge this really is.

They get bounced out when they'd just as soon stay "in," they have higher transaction costs, often trigger taxable events, and more. Plus, they've got to decide when to buy back in as the market pulls away.

Think about what happened in 2020 when COVID fears caused the S&P 500 to drop a gut-wrenching 35%. Countless investors bailed, only to watch in horror as the S&P 500 took just 354 days to double off pandemic lows, making it the fastest rebound on record.

The Global Financial Crisis that began in 2008–2009 was much the same. The S&P 500 ultimately fell -57%, only to set up one of the longest bull runs in history.

More recently, there was the grinding slide from early December 2021 to September 2022 when the markets came roaring off lows. Anybody who sold Nvidia as it broke $200 and ultimately stabilized at under $110 a share and never got back in has now missed *several* opportunities to double their money. It was very much the same story for Apple, Microsoft, Shopify, and other stocks we talk about frequently.

Believe it or not, I still hear from investors today who went to the sidelines in 2009 using trailing stops who have *yet* to get back in because they fear another downturn! Imagine what they've missed—but that's a story for another time.

## All is NOT lost—what to do instead!

I know that what I am describing is very dark—I get it—but I wouldn't be doing my job if we didn't have this discussion.

You're not here for the party favours.

You're here because you want to become a more confident, more knowledgeable, and more effective investor.

And sometimes that means having discussions we may not want to have about information we'd just as soon not know.

Let me start by reminding you that ***challenges are really steppingstones to success, especially for investors who recognize the immense opportunity a situation like this represents***.

Awareness is power.

Understanding the challenges associated with trailing stops puts you *waaaaaay* ahead of those who fail to recognize what's happening or who simply don't want to acknowledge change.

Remember why we invest in the best companies we can find… ***because the real winners in any field are those who adapt and innovate***.

Challenges only seem daunting if you let 'em.

Like the weights in a gym or a pile of ingredients associated with a recipe you've never cooked before, they're really a challenge to learn something new and to produce something wonderful.

Many investors think they are doing themselves a favour by using trailing stops to minimize losses… and in the past, that worked well. These days, they're far more likely to be selling out at precisely the moment when they should be buying.

Buy low, sell high isn't just slick marketing shlock.

Every dollar *less* that you pay for a great stock means a dollar *more* you could be earning as prices rise. Particularly if you factor in dividends and reinvesting over time.

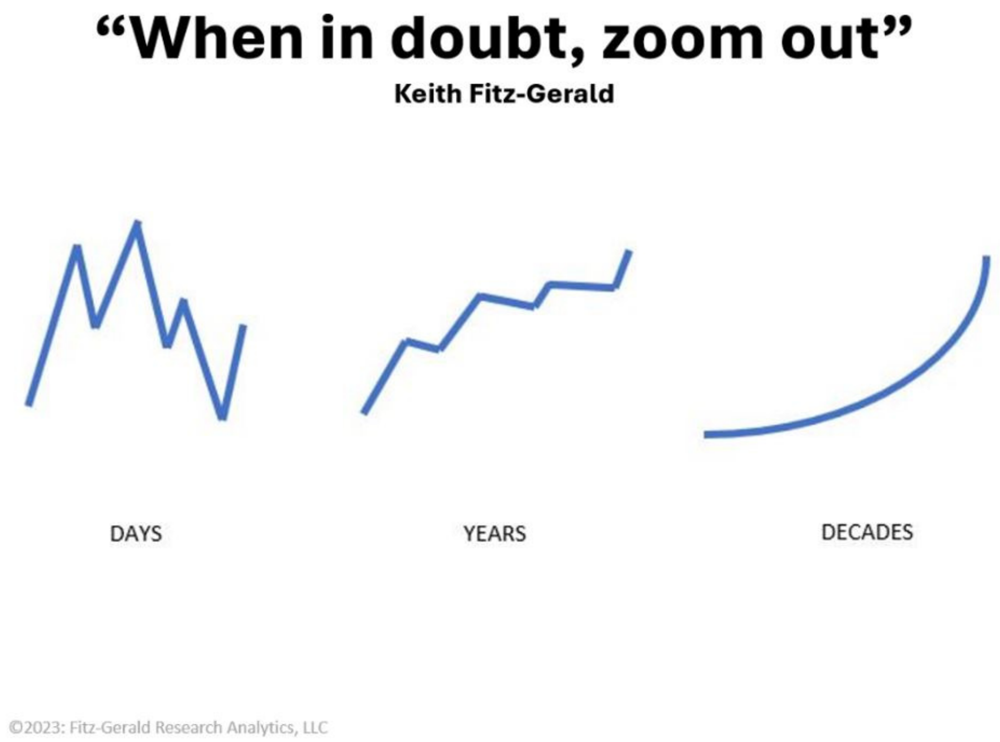
## Here are 4 OBA tactics to use instead of trailing stops

### Tactic #1: When in Doubt, Zoom Out

The markets have a very defined upward bias over time, so it makes sense to play to that, even if the short-term market action doesn't make it seem like a good idea.

Reserve trailing stops ONLY as a last-ditch defense to a market crash, using levels that make sense to your unique situation.

The markets reward discipline, so let’s stick to ours.




## Tactic #2: Best, Not Rest (Preferably US)

People argue with me constantly, saying that big, powerful, US-centric companies cannot possibly get any bigger, more powerful, or more valuable.

Yet, that’s exactly what’s happening.

The number of US companies remaining in the top 10 from one decade to the next has risen from just three in 1990 to six in the 2010s and now eight as we enter the 2020s. According to the Financial Times, just two of the top 10 remained in Japan, four in Europe, four in China, and two in the global list… Microsoft and Apple.

What’s more, the top five US companies are bigger than the next five by the largest margins since the 1980s with the top two—Apple and Microsoft—accounting for nearly 50% of the total market cap of the top 10 as of last April, a 35% increase since the pandemic started.

You can invest in small-cap companies if you want—and there is a role for that—but if you really want to go big, you’ve got to think big.

Apple, for example, has more than 2B installed devices worldwide, more than 1B subscription-paying customers across all its services, a wearables division that produces more revenue than many countries… yet, the company wasn’t even an S&P 500 Top 10 as of June 2000.

## Tactic #3: DCA/VCA

Wall Street has spent billions of dollars learning how to push your buttons because they know that the short-term lottery mentality that exists today (and that, arguably, they’ve helped create) works in their favour.

The way around that is to ***control risk ahead of time*** *like we do, using tactics that take away their advantage, including two of my favourites*. Dollar Cost Averaging (DCA) and its lesser-known cousin, Value Cost Averaging (VCA)…

- Help reduce the impact of market volatility while also allowing investors to spread purchases over time rather than worry about making the right moves at moments *in* time.
- Can dramatically lower your cost basis, which potentially means far higher returns over time, particularly if you’re reinvesting.
- Ensure emotional peace because you buy more shares at lower prices when the markets drop AND scale out as prices rise.
- Focus on value, which ensures that your investment dollars are aligned with your investment approach, innovation, and *optimism*. 😊

## Tactic #4: The Ultimate Trailing Stop

Warren Buffett is often quoted saying—and I’m paraphrasing here—that he doesn’t care what happens to a company’s share price as long as the company continues to do well.

Neither do I.

There are very few reasons to sell a great investment if a) you’ve done your homework upfront, and b) are focused on the world’s greatest companies or super-specific opportunities that are part of much larger investing themes like the 5Ds that are backed by trillions of dollars.

So, what would qualify as an “ultimate” trailing stop?

Here are a few examples I’ve run into over the years.

# IT'S TIME TO STOP USING TRAILING STOPS

More than a decade ago, I was visiting a top-tier Chinese biopharmaceutical company outside Beijing. Everything lined up… the financials, the management, the manufacturing.

Shares were performing nicely but then, on the way back to my car, I saw a huge sign with glowing graphics that stopped me in my tracks.

Management was planning to go into the real estate development business, including an amusement park right in the middle of the corporate campus. I couldn't hit the eject handle fast enough!

More recently, I recommended Intel because I believed CEO Pat Gelsinger would be the man to turn the company around as the US re-shored chip manufacturing to hedge against growing Chinese aggression.

I still believe that's the case, but the company went into slash-and-burn mode with the dividend earlier this year, which took away the ability to magnify growth using DCA/VCA. So, I recommended selling and buying AMD instead.

Imagine if Apple suddenly wanted to produce swimming pools while shutting down iPhone production! Or Elon Musk suddenly wanted to sell flamethrowers and dig a tunnel under LA… oh, wait. 😊

The point in all this is that ***change must make sense, and as long as it does, there's every reason to hold on while continuing to invest for the longer term.***

**Let's wrap up**

Today's article has been a lot longer than usual —thanks for hanging in there!

- Trailing stops for investors are different than trailing stops for traders where the use case remains; our discussion today is limited to *investors*.
- Use trailing stops ONLY as a means of preventing catastrophic losses with the understanding that they may no longer work the way they once did.
- There is a growing body of evidence that trailing stops have lost their effectiveness or no longer work as expected because changing market dynamics, rising volatility, and a pronounced shift in investor behaviour have made trailing stops increasingly prone to premature triggering and inadequate execution.
- The lottery ticket mentality that exists today has resulted in an overemphasis on market timing that does not align with the complexities in today's markets and that, furthermore, is contrary to long-term investment success.
- Most studies highlighting the effectiveness of trailing stops were conducted well in the past under radically different market conditions characterized by significantly less volatility and dramatically less computerized conditions at a time when there was a materially different exchange framework.
- Recent innovations like computerized trading, passive investing, Dark Pools, PFOF, and 0DTE options work against unsuspecting individual investors rather than to their benefit.
- Risk must be controlled *prior* to purchase and maintained using simple, effective methods, including proper thematic alignment (the 5Ds), an emphasis on quality stocks only, and specific tactics like DCA/VCA to sidestep rising short-term volatility while pursuing long-term investment success.

Note: Effective immediately—and in keeping with our discussion today—we will no longer be publishing trailing stops as part of the weekly updates. This change will help streamline portfolio management for the entire OBA Family while also providing an opportunity to step back and focus less on daily market noise that, frankly, we cannot control anyway.

## Ask Keith

**Q – If we're abandoning trailing stops, how will we manage risk?**

The same way we are right now.

- **Portfolio Structure:** We will continue to utilize the proprietary One Bar Ahead® Model Portfolio 50/40/10 structure to shed risk continuously even as we add upside and play offense. Doing so helps maximize returns while minimizing risk over time because it is based on decades of research into something called "risk-parity" modelling that I first encountered nearly 40 years ago at Wilshire Associates where I began my career.
- **Quality Names Only:** Emphasizing quality ensures that we maintain a focus on value. This, in turn, helps us pre-position our money in companies that have a long, distinguished history of providing great results over time through good times and bad while sidestepping those that trip up other investors. Dividends and low-beta choices are key, which is why, as you may have noticed, I have begun to re-emphasize both in recent months.
- **Tactics:** The OBA Model Portfolio remains in Accumulate Mode because current market conditions dictate that missing opportunity is more expensive than trying to avoid risks we cannot control. It hasn't been easy to resist the temptation to throw caution to the wind like many did earlier this year, but I think you'll agree that it's paying off in spades. Chevron is powering up… ABBV is roughly 70% less volatile than the broader markets… etc.
- **Hedging:** If the major indices continue to drop, I will recommend adding to inverse hedges like PSQ, DOG, and SH, just as we have during prior periods of market turmoil. Studies show that having as little as 3–5% in truly non-correlated investments can remove a substantial portion of overall portfolio volatility, which, in turn, can translate into a substantially smoother ride over time.
- We will, BTW, use the ***5-Minute Hedging Guide*** as our roadmap. It's available in the OBA Archives and included in your subscription.

**Q – Is there ever a time when trailing stops will be back?**

I doubt it. Absent a complete change in the regulatory environment and a dramatic shift in order flow that puts the emphasis back on exchanges, any attempt to rein this in would be like closing the barn door after the horses have gotten out.

**Q – How will I know when to exit a stock I own?**

One of two things will happen.

1. I will tell you because I've picked up on something that obviates the case for ownership, like I did with the Chinese pharma company I told you about, or there's a material change in something critical, as was the case with Intel's dividend policy.
2. Your situation will change in a way that renders a stock unownable or ineffective. Whether or not I've recommended it doesn't matter. You may decide to sell a stock or give shares away as a gift, for example. Or perhaps you simply don't like the management because you don't believe in the company's products any longer.

**Q – But I really like trailing stops?**

I get it—believe me!

Trailing stops have been a fundamental part of the investing toolbox for generations; *change is uncomfortable even when it is necessary*.

Let me put it this way, if trailing stops were really as effective as they've been in the past, every manager on the planet would be using 'em.

We'd read headlines regularly about how Warren Buffett or Bill Ackman "stopped" out of this stock or that. But we don't.

What we are seeing is a tremendous shift into computerized trading models, an overemphasis on timing, and the proliferation of super-specialized instruments like 0DTE options that are increasingly being used to manipulate prices rather than for hedging or as speculative instruments as originally intended.

The world's best and most successful investors trade around core positions rather than dipping in and out of markets in response to short-term conditions they can't control.

It makes sense to take a page from their playbook (or them from ours).

**Q – Can I still use trailing stops if I'm trading?**

Definitely. The calculus is different because you are operating on much shorter time frames.

Just be aware that Wall Street's traders are gunning for you.

**Q – I own small-company stocks; can I use trailing stops on those?**

Yes, but the danger here is amplified because spreads—meaning the difference between bid and ask—are wider. This means Wall Street's computers can act even more aggressively than they would on larger, more liquid stocks.

I suggest that you pick your battles very, very carefully ahead of time like we've done with companies such as Xpeng and Nio, for example. Even Palantir qualifies.

**Q – Does what you're saying apply to options?**

*Especially* to options!

In the old days, options were a function of the underlying (stock, bond, ETF, index, etc.), but these days big traders have figured out how to manipulate prices using options. Effectively, they're "dragging" prices along in a direction of their choosing.

Obviously, that's illegal, but that doesn't seem to matter.

Remember how the game is played.

Brokers make money because they're paid for order flow and because they charge fees for the products they offer. Not because they predict where prices may go or even wind up.

At the same time, market-makers must offset their risk as a way of keeping things in line, so they constantly calculate the hedge ratio showing how many shares of a given stock they would need to buy or sell if the buyers make money on specific contracts.

It stands to reason that rising prices boost options demand—which, in turn, shifts this ratio, thereby amplifying price movement and the relationship that has historically existed between options, stocks, and market volatility.

I've been talking about this for years, mostly to deaf ears and disbelievers, but thankfully, I am no longer a lone voice in the wilderness.

There have been a number of interesting studies in recent years, like this one from Andrea Barbon of the University of St. Gallen and Andrea Buraschi of the Imperial College Business School showing a linkage between large dealer gamma imbalances and intraday price momentum/reversals.

Now, if only the SEC would take a more aggressive interest!

**Q – Are there ways to trade without using trailing stops?**

Yes, in fact, I'm going to be covering several in the months ahead that build upon tactics like Covered Calls to Capture Profits and Selling Cash-Secured Puts to go shopping at a discount that we've already discussed.

I'm also trying to figure out a way to release the MMI in real time for anyone who is interested in using it for day trading.

Tactics, a word you hear me use often, will be key, of course.

KF

Chapter 3

# DIVIDEND FORTUNE BUILDERS

RCS: Poised to pop when Powell does

McDonald’s: 43% upside, rock-solid dividends, and low volatility

This month, we're going to talk quickly about one of our favourite "steady Eddies"—the Strategic Global Government Fund (RCS)—before moving on to McDonald's (MCD).

RCS is under pressure as rates rise, but I encourage you to continue to reinvest anyway.

My expectation is that Team Powell will be forced to cut rates or at least change their approach, lest they really break things. And when that happens, RCS could very well take off like a rocket, which means every share acquired at lower prices now may have that much more powerful upside ahead.

It's a classic story at a classic time in interest rate history!

Speaking of classic, let's talk about McDonald's for a moment.

Regardless of what the Fed would have us believe, inflation continues to rage.

American consumers are finding their wallets stretched in every conceivable direction. The most recent CPI data show that the headline rate increased to 3.7% year over year and 0.60% month over month, even though the so-called core rate declined from 4.7% to 3.7%.

Here's the thing.

The Fed's fight is ostensibly about rates, labour, and inflation itself, but every investor—including us—is really fighting inflationary pressure.

McDonald's is a great way to do that, which is, of course, why we've talked about it so many times recently and why we're talking about the company again this month. People are eschewing big-dollar restaurants in favour of value.

McDonald's has paid an uninterrupted dividend since 1976.

Just for giggles, a Big Mac cost around 65 cents back then. I'm sure when the price went up to $1.60 in the late '70s and '80s, people considered that outrageous.

Currently, the most expensive Big Mac is apparently found at a rest stop in Connecticut... at $8.09 (as of last July). But I digress.

The company has increased its quarterly dividend from $0.0138 per share in 1987 to $1.52 in 2023... that's an annualized increase of 13.58% per year. What's more, the company's dividend payout ratio is 56%, and the dividend coverage ratio is 1.79x. Most analysts consider a coverage ratio of around 2x to be desirable, to put that figure in context.

Perhaps most importantly, Unka Ronald has paid dividends continuously for the past 47 years, the last 15 of which have included consecutive annual increases growing at an annualized rate of 7.03% over the past decade.

The indicated yield—that's the figure you see on most websites—is 2.39% as we go to press, but the true shareholder yield is 3.13% (2.39% dividend yield + 1.19% buyback yield + -0.040 buyback yield).

Revenue for Q2 23 came in at $6.5 billion, a 13.62% increase YoY. Net margins for the quarter were 35.56%, which is a huge improvement from the 20.77% in Q2 22.

There are several reasons I expect that trend to continue:

First, McDonald's continues to invest heavily in new locations, technologies, and relationships—all of which expand margins over time. Kiosks, in particular.

Second, the company is raising franchise fees and prices, both of which will bring the top line up over time if current trends hold.

And third, I believe there's a good chance that the change in consumer behaviour prompted by inflation will prove far stickier than people are prepared to accept. Assuming I'm correct—and I think I am based on other inflationary periods in history—that means an even *bigger* fan base in the next generation of consumers growing up through the current economic mess.

The total return over the past 12 months is a respectable 10.39% while the beta—a key measure of volatility—is just 0.64, or roughly 36% less volatile than the S&P 500, which has a beta of 1.

Sales are growing at 9.62% in FY 2023, but I see 'em slowing slightly through 2025 to just 5.85%.

My target is still $364 per share, which represents roughly 43.37% from $254 where MCD is trading as we go to press.

Continue to accumulate and, yes, by all means, reinvest.

Pass the fries! 😊

KF

# PORTFOLIO REVIEW

Plus the Fund Folio™ and the October OBA 50™

## Foundation Stones (50%)

This category contains companies intended to be the base around which all other choices are built and will account for roughly 50% of overall investable capital. The intent is to create stability that gives you the freedom to pursue more aggressive choices in the other two tiers over time.

There will be some turnover here but, odds are, not much over time because the emphasis is on fundamental underpinnings in line with the 5Ds.

## Global Growth & Income (40%)

This category houses companies offering a unique twist on one or more of the "5Ds" or which are technically of interest and will represent roughly 40% of overall investable capital. The goal with this segment is appreciation potential AND an income boost so expect to see dividend payers and players here.

Turnover here may be based on a combination of technical and fundamental data and may be slightly higher. Market action could also trigger entries and exits.

## Zingers (10%)

This category is home to the most speculative choices and will account for roughly 10% of overall investable capital.

Zingers are fundamentally compelling but are going to be selected based on a higher relative technical analysis weighting using the OBA engine and the MMI specifically.

Expect turnover to be highest in this tier based on technical market action. The probability of losses is highest in this segment.

## "Vegas Money"

Vegas Money is exactly like it sounds - it's where we put the stocks that can be heroes or zeros.

Not every stock will be a winner; in fact, quite a few probably won't to be blunt. We'll control risk by position sizing before we buy once we've identified an opportunity that interests us.

This means keeping positions small enough that you don't care if they flame out completely but big enough that you'll feel good if and when they do take off.

0.5%-1.0% each or less at your discretion. Skip entirely if this much risk makes you uneasy.

## Hedges

Studies show having between 1-3% in non-correlated investments can help take the sting out of otherwise painful down days by dampening overall portfolio volatility. The tradeoff, of course, is that you give up some upside but that's acceptable to me given current market conditions. 3-5% may be prudent if conditions continue to deteriorate.

**SH, PSQ, DOG** and **RYURX** are 1:1 inverse funds which make them perfect for the task. **UVXY**, though, is a 1.5X hedge designed only for short-term holds at best which is why I advocate using it very opportunistically when the risks of a downdraft are highest.

| Position Sizing Guidelines | |
|---|---|
| Foundation Stones | 50% |
| Global Growth and Income | 40% |
| Zingers | 10% |
| Hedges/Inverse | 1-3% |
| Vegas Money | Investor's discretion |

**Every OBA reader is encouraged to work with a financial advisor to adjust the suggested percentages as needed to reflect your specific financial situation, risk tolerance and circumstances.*

## A special note for new subscribers

The One Bar Ahead® Model Portfolio remains in **Accumulate Mode.**

Missing opportunity is the more expensive proposition than trying to avoid risks you cannot control.

If you've just joined us and that statement doesn't make sense, please see Master Class #1. It will, particularly when you understand that the markets have a very pronounced upside bias over time.

Profit targets and trailing stops are published as a convenience for those who need the money or who simply prefer to use 'em.

The portfolio will return to **Trending Mode** if and when there is an identifiable, sustainable push higher. You'll know because the Bull/Bear State Indicator will reflect that. And, of course, I'll remind you. 😊

**New OBAers:** I suggest establishing positions using Dollar Cost Averaging or its lesser-known cousin, Value Cost Averaging. This lowers risk "on the way" into stocks while boosting returns over time and keeping otherwise frayed emotions out of the equation. Reinvest as your share count increases to magnify compounding and profit potential.

**Existing OBAers:** I suggest "tinkering" with core holdings to rebalance risk and harvest profits. Reinvest dividends to boost income and magnify compounding. Doing so helps lower your tax basis while also boosting profit potential over time. It also keeps emotions at bay.

All data as of September 29, 2023

## Foundation Stones (50%)

# AAPL

APPLE, INC

Beta
**1.22**

Yield
**0.56%**

30d
Δ vs SPX
**-3.87%**

Total
α vs SPX
**17.71%**

Notes

Apple just released its new iPhone 15... early reports as we go to press suggest that sales are on track with last year's iPhone 14 series. Lead times are also coming down as demand and supply begin to balance out.

The new iPhone has a couple of notable features that are sure to drive a positive sales cycle. The most outstanding one is the switch from the lightning cord to the USB-C, which puts it in compliance with the new EU regulations.

The Pro variants also feature better design elements like a titanium frame, longer-lasting batteries, and greater memory. Furthermore, according to analysts, the top-of-the-line Pro Max will come with an improved camera with a "periscope lens" for increased optical zoom capability.

JPM analyst Samik Chatterjee reiterated his $230 price target on the news. My own target is $300, which also stands.

Update: Just as we get ready to go to press, complaints are emerging that the iPhone 15 overheats, an issue Apple has acknowledged as part of the setup process, an iOS bug, and 3rd party apps, including Instagram, which is processor intensive. Team Cook intends to issue a software update that will take care of things.

Shares of Apple are up 39.32% off 52-week lows, and the yield is 0.55%.

Continue to accumulate and reinvest.

## CLOI

VanEck CLO ETF

| | |
|---|---|
| Beta | 0.04 |
| Yield | 5.27% |
| 30d Δ vs SPX | 5.71% |
| Total α vs SPX | -14.39% |

Notes

CLOI is a collateralized loan obligation fund (meaning it's a single security backed by pooled debt). The fund is a great choice for investors willing to step out a little further on the risk spectrum but who still crave the comparative safety of an actively managed income stream at a time when rates are rising. In this case, investment-grade CLO bonds.

CLOs traditionally have low sensitivity to interest rate changes due to their floating-rate coupons—a characteristic, according to VanEck, that makes them similar to leveraged loans, but with additional risk protection resulting from the CLO structure. I like 'em because CLOs typically trade like bonds, but with the longer times associated with loan settlement.

The 30-day SEC yield is an attractive 6.48% (numbers from VanEck).

Continue to accumulate and reinvest.

## JPM

JPMORGAN CHASE & CO.

| | |
|---|---|
| Beta | 0.99 |
| Yield | 2.87% |
| 30d Δ vs SPX | 3.55% |
| Total α vs SPX | 11.43% |

Notes

JPMorgan declared a quarterly dividend of $1.05, up from the previous $1.00, which is a 5% increase in the dividend. On a forward dividend basis, shares of JPM now yield 2.85%.

"Invest in the best and forget the rest" clearly applies here.

Shares of JPM are up 12.51% year to date compared to Citigroup (C), down –5.92% year to date, Wells Fargo (WFC), up 1.30%, and SPDR S&P Regional Banking ETF (KRE), down –27.82% as I type.

Continue to accumulate and reinvest.

## MSFT

Microsoft

| | |
|---|---|
| Beta | 1.14 |
| Yield | 0.95% |
| 30d Δ vs SPX | 1.17% |
| Total α vs SPX | 11.36% |

Notes

Microsoft continues to be a strong performer this year. Shares of MSFT are 48.5% off 52-week lows.

UK regulators have given the company's Activision deal preliminary approval, but the US FTC has other plans to revive its case.

Reportedly, Microsoft's reason to acquire Activision Blizzard is to "further improve its presence in the gaming industry, and the metaverse, and to consolidate itself as the de facto king of cloud gaming." But the real key is something I wrote to you about recently… I believe the company wants to create a cross-platform software gateway, which, similar to Apple's iPhone ecosphere, is tremendously monetizable.

Microsoft announced a quarterly dividend of $0.75 per share, a 10.3% increase from the previous quarterly dividend of $0.68. This is really no surprise, since they've increased their dividend by a whopping 168% over the last 10 years. Shares now yield 0.94%.

Shares of MSFT are trading at 28.9x, 25.1x, and 21.4x P/E for 2024, 2025, and 2026 earnings estimates, respectively. The E part of the P/E equation will continue to rise.

On the valuation front, Microsoft is still attractively priced.

Continue to accumulate and reinvest.

## RCS

PIMCO Strategic Income Fund

Beta
**0.57**

Yield
**14.71%**

30d
Δ vs SPX
1.38%

Total
α vs SPX
-21.20%

Notes

Currently, RCS is trading at a 26.92% premium, according to PIMCO's website, which tells me that lots of investors see the comparative stability we do. What's more, they're content to "pay up," even if they know that rates could still rise.

The yield/distribution rate is 14.71% as of September 29, 2023.

Accumulate and reinvest.

# Global Growth & Income (40%)

## ABBV

AbbVie

Beta
**0.51**

Yield
**3.96%**

30d
Δ vs SPX
5.56%

Total
α vs SPX
-0.38%

Notes

The European Commission (EC) granted approval for the use of TEPKINLY for adults with relapsed or refractory diffuse large B-cell lymphoma (DLBCL) after two or more lines of systemic therapy.

DLBCL is the most common type of non-Hodgkin lymphoma; approximately 30% to 40% of patients will ultimately develop relapsed/refractory DLBCL.

Approvals like this will continue to propel AbbVie forward.

Shares of ABBV are trading at 13.9x, 13.9x, and 12.7x earnings for 2023, 2024, and 2025, respectively.

The indicated yield is just 3.95%, but the true shareholder yield—as I noted on 10/2/23 in our weekly update—is 9.17% at a time when the dividend's annualized growth rate over the past decade is a super-appealing 22.01%.

Continue to accumulate and reinvest.

## AMD

Advanced Micro Devices

Beta
**1.67**

Yield
**0.00%**

30d
Δ vs SPX
1.95%

Total
α vs SPX
-8.88%

Notes

AMD is going to space!

They recently launched the Versal chip, which is specifically designed for space travel.

According to Dean Takahashi of Venturebeat.com, "The new adaptive computing chip is a radiation-tolerant, space-grade technology built as a complete system-on-chip (SoC). It is qualified for space flight." SoC is like a tiny computer with everything a computer would need to function… but all in the size of a chip!

On top of that, Wells Fargo has said that "the upcoming launch of the semiconductor company's MI300 offerings is providing increasing confidence for 2024."

Wells Fargo analyst Aaron Rakers stated that he was told by AMD's CEO & CFO that "in the next 3–4 years, the market for special computer chips used in data centers for tasks like AI will become worth around $150 billion." Out of this, about two-thirds of the money will come from using chips like the MI300 to process AI information.

AMD is second only to Nvidia and in a position to catch up quickly.

Shares are up 50.17% YTD, and I think there is a strong case to be made that they could run a lot higher into late 2024 if the Fed calms down… *particularly* if the Fed calms down.

Continue to accumulate and reinvest.

## COST

Costco Wholesale Corporation

Beta
**0.95**

Yield
**0.72%**

30d
Δ vs SPX
**8.09%**

Total
α vs SPX
**31.79%**

Notes

If you've been reading the 5 with Fitz, you know that Costco has been selling gold bars (and that the company cannot keep 'em in stock.

Costco recently reported Q4 23 earnings and, as expected, put up strong numbers.

Revenue for the quarter and 2023 fiscal year came in at $78.9 billion and $242.3 billion, respectively, beating Refinitiv estimates of $77.9 billion and $240.9 billion. EPS for the year came in at $14.16, beating Refinitiv estimates of $14.06.

Membership fee income was $1.509 billion in the fourth quarter and represented 1.95% of revenue compared to $1.27 billion and 1.88% of sales in the fourth quarter of 2022. This comparison does include an extra week for Q4 23… adjusting for that, it's still a whopping 7.5% increase YoY.

Renewal rates are key and, as you might expect, continue to grow too. In fact, renewals for the US and Canada were 92.7% at the end of the quarter. That's up 0.1% from the previous quarter. The worldwide renewal rate dropped a skosh, though, and came in at 90.4%, down 0.1% from the previous quarter.

People can squabble about inflation all they want, but the fact that renewals are still 90%+ tells me that consumers value their time and their wallets… at Costco.

Costco ended the quarter with 71 million paid household memberships and 127.9 million cardholders. Those are up 7.9% and 7.6% YoY, respectively.

Notes (contd)

Shares of COST are trading 26.42% off 52-week lows and yield 0.73%.

Continue to accumulate and reinvest.

## CTRE

CareTrust REIT

Beta
**0.79**

Yield
**5.46%**

30d
Δ vs SPX
**7.09%**

Total
α vs SPX
**10.35%**

Notes

CareTrust announced a joint venture investment for a 187-bed skilled-nursing facility in Vista, California. CareTrust's combined investment in the facility was $25.5 million. The contractual yield is valued at approximately 9.7% with rent escalators. 9.7% is pretty juicy!

On top of that, the operator will be Bayshire Senior Communities who's already a familiar tenant with CareTrust.

CareTrust announced a quarterly dividend of $0.28, which you will receive in your account on October 13.

Continue to accumulate and reinvest.

## CVX

Chevron Corporation

Beta
**0.64**

Yield
**3.58%**

30d
Δ vs SPX
**10.32%**

Total
α vs SPX
**77.58%**

Notes

Crude oil futures hover around $90 per barrel as I type, and I think $100 per barrel by year-end could easily happen. Chevron, of course, will continue to benefit from higher prices.

I made the observation recently that Chevron was not dependent on debt to the degree competitors are, and a few savvy members of the OBA Family asked how I'd know.

Chevron has a debt-to-equity ratio of only 0.07, less than $12B in net debt, and a debt-to-capital ratio of only 12%.

Notes (contd)

All three figures are considerably better than those of CVX's peers while also reinforcing my contention that the company's rock-solid balance sheet is worth your time and consideration.

Shares of CVX are up 11.24% as I type since the start of June, while the S&P is up 5.32% over the same period.

Continue to accumulate and reinvest.

## GILD

Gilead Sciences

Beta
**0.53**

Yield
**4.01%**

30d
Δ vs SPX
**2.47%**

Total
α vs SPX
**22.86%**

Notes

It's been a quiet month for Gilead. The company continues to make progress on clinical trials, but the market is still overlooking them (as well as AbbVie and Pfizer).

The stock is screaming cheap.

Shares of GILD are trading at 11.3x, 10.3x, and 9.8x forward earnings for 2023, 2024, and 2025, respectively, while sporting a yield of 3.42%.

I think it's very hard to go wrong with this one... stability, low volatility, and dividends.

Continue to accumulate and reinvest.

## GIS

General Mills Inc

Beta
**0.16**

Yield
**3.69%**

30d
Δ vs SPX
**-1.41%**

Total
α vs SPX
**-26.85%**

Notes

If I had to name one stinker in the portfolio, this would be it. Shares are down -24.80% YTD.

No doubt it's tempting to throw the baby out with the proverbial bathwater, but I wouldn't do that. In fact, I'd encourage any investor who can to buy in, given the strength of GIS's brand portfolio and slowing inflation. I think it's telling that the company is sticking to its 2024 outlook.

Notes (contd)

Recent earnings, while not spectacular, were in line with what I expected. Q1 24 earnings came in at $4.91 billion, slightly beating Refinitiv estimates of $4.88 billion. EPS came in at $1.09, beating Refinitiv estimates of $1.08.

Gross margins improved 540 bps YoY from 30.70% for Q1 23 to 36.10% for Q1 24. Heck, even quarter-to-quarter comparisons look great. Gross margins improved from 34.42% to 36.10%. Operating margins improved from 16.74% to 19.31%. Net margins improved from 12.24% to 13.73%.

The market seems to be missing this. Shares of GIS are trading 1.24% off 52-week lows as I type and –28.12% off 52-week highs. Seems like a bargain to me!

Continue to accumulate and reinvest.

## LMT

Lockheed Martin Corporation

Beta
**0.52**

Yield
**2.93%**

30d
Δ vs SPX
**-4.36%**

Total
α vs SPX
**28.59%**

Notes

Lockheed Martin is busy, with no signs of slowing down. According to management, they've signed a framework agreement with Poland's Ministry of National Defense for a Homar-A Multiple Launch Rocket System.

According to this agreement, "486 Homar-A vehicles will be assembled in Poland, with first deliveries starting in 2026. In addition, tens of thousands of rocket ammunition missiles will be produced."

Even bigger than that, they're keeping up in the AI race. Recently, LMT successfully demonstrated an AI-commanded mission, showing that autonomous AI fighter jets can work in conjunction with highly skilled fighter pilots while successfully coordinating a mission together.

Notes (contd)

The next step is to see if AI can run a fully autonomous mission.

LMT's P/E ratio is currently 15.1x compared to the S&P, which is currently sitting at 24.76x. This makes LMT look like a bargain in comparison. It's about 18.74% below the 52-week highs, which suggests a massive discount to the value of the company. Shares have returned 27.35% since I brought the company to your attention most recently.

Continue to accumulate and reinvest.

## MCD

McDonald's Corporation

Beta
0.62

Yield
2.32%

30d
Δ vs SPX
-2.22%

Total
α vs SPX
-5.75%

Notes

I'll be brief here since McDonald's is this month's Dividend Fortune Builder.

Shares of MCD are trading at 22.9x, 21.3x, and 19.7x earnings for 2023, 2024, and 2025, respectively, and the yield is a pleasing 2.27%. Shares are trading 15.2% off 52-week lows and 11.2% off 52-week highs.

Continue to accumulate and reinvest.

## MUFG

Mitsubishi UFJ Financial Group

Notes

As I noted in a special alert on 10/02/23, it's time to sell. I am concerned that the same USD strength that has led to great results for MUFG may cause weakness going forward if the Fed begins cutting rates. The stock has returned ~25% since I recommended it initially and is 100.93% off 52-week lows. Depending on when you joined the OBA Family and began following along, you've had not only a chance to buy in low but to continually add to the position and, yes, even double your money. Well done, everyone!

## PFE

Pfizer

Beta
0.57

Yield
4.95%

30d
Δ vs SPX
-3.24%

Total
α vs SPX
-31.97%

Notes

Pfizer received approval from the European Commission (EC) for Litfulo to treat adults and adolescents 12 years and over with severe alopecia areata, a disease that causes hair loss. This drug could help millions of people who are afflicted by this disease.

According to the National Alopecia Areata Foundation, about 2% of people worldwide will experience alopecia areata.

Shares of PFE are trading at 9.8x, 9.8x, and 9.3x for 2023, 2024, and 2025, respectively, and yield 4.97%. PFE is also trading 0.24% off 52-week lows.

Many investors are inclined to sell it, but I am hard pressed to think of a more expensive mistake, for several reasons: The company continues to lead the charge in customizable medicine, remains a key player in the next pandemic, has accumulated gobs of free cash over the last few years, and has received a number of approvals in recent months. Don't forget that Pfizer has also lined up Seagen, which will speed 3 dozen oncology-related programs through development.

Continue to accumulate and reinvest.

## PLTR

Palantir Technologies Inc

Beta
1.89

Yield
0.00%

30d
Δ vs SPX
3.52%

Total
α vs SPX
-48.68%

Notes

Every time I check, the future looks brighter and brighter for Palantir. In the latest news, the company has secured a $250 million US Army contract involving AI. While it isn't Palantir's biggest contract, it shows that the Pentagon has a keen interest in the company.

Notes (contd.)

In addition, the US Army lists Palantir as a partner in the rollout of their new data platform development, which started last October.

Other good news includes an update on their Artificial Intelligence Platform that was announced earlier this year. According to Palantir, their AIP user base is up 50% in the last month alone.

Palantir is currently 136.22% off 52-week lows and has returned 131% YTD. Forward P/E is 57.4x for the next 12 months. Earnings per share are –0.13, an increase over the last 2 years. The company reported a 79.96% gross margin as of June 30, which I expect to fall a bit over time.

Continue to accumulate and reinvest.

## RTX

Raytheon Technologies Corporation

Beta
**0.78**

Yield
**3.29%**

30d
Δ vs SPX
**-12.06%**

Total
α vs SPX
**-36.58%**

Notes

RTX released an updated outlook for the full year of 2023, and I am impressed. The company confirmed a free cash flow of approximately $4.3 billion, currently has a dividend yield of 3.28% and an adjusted sales figure of $73–$74 billion!

Maybe the most exciting thing for us as investors is that they confirmed a share repurchase of about $3 billion and an adjusted EPS of about $4.95–$5.05.

These numbers are great, but just for awareness' sake, Raytheon is expecting to have a pre-tax operating loss of about $3 billion in the third quarter because of their share in the PW1100 GTF program. The reason is that their subsidiary Pratt & Whitney found a rare problem with some of the airplane engines and is issuing a recall. This may lead to more grounded planes for the rest of 2023 and early 2024.

Notes (contd.)

Because of this, the stock continues to take a beating, but to my way of thinking, Raytheon is still a great company to hold... and according to their own management, they remain confident in their ability to return $433–$435 billion in capital from the merger to shareholders through 2025.

Continue to accumulate and reinvest.

## TSLA

Tesla Inc.

Beta
**1.99**

Yield
**0.00%**

30d
Δ vs SPX
**2.33%**

Total
α vs SPX
**-14.56%**

Notes

Tesla continues to innovate and cut costs.

In the latter department, one of Tesla's biggest innovations is getting an upgrade. Gigacasting has allowed Tesla to speed up the production of front and rear structures and cut production costs significantly. According to Reuters, "The company has been die-casting the rear of the Model Y since 2020, which allowed it to cut related costs by 40%." They are reportedly making an upgrade to this process, which should make production faster and even more cost efficient.

In relation to innovation, Tesla is spreading its wings and moving away from Nvidia in favor of its own GPU.

Tesla supercomputers were previously powered by clusters of Nvidia GPUs. Now they are taking their super computer Dojo's potential to a new level by partnering with TSMC to power the new supercomputer with chips entirely made by Tesla. This is a bold move as Nvidia has been known to have the premier chip when it comes to AI training. I expect TSLA to start selling its own custom silicon in the years ahead.

Notes (contd.)

Tesla's performance has been stellar of late. Shares are 147.3% above 52-week lows, and the total return YTD is 104.25%, according to Koyfin.

The company will report earnings on October 19.

Continue to accumulate and reinvest.

## WM

Waste Management Inc.

Beta
0.63

Yield
1.83%

30d
Δ vs SPX
1.66%

Total
α vs SPX
3.61%

Notes

It's been a quiet month for Waste Management. The company reports Q3 23 earnings in late October. I'll update you with information from earnings in next month's OBA.

Meanwhile, shares of WM are trading 5.4% off 52-week lows and yield 1.79%.

Continue to accumulate and reinvest.

# Zingers (10%)

## CRWD

CrowdStrike Holdings

Beta
1.48

Yield
0.00%

30d
Δ vs SPX
17.47%

Total
α vs SPX
-1.85%

Notes

CrowdStrike just acquired fellow cybersecurity company Bionic.ai, a company that provides an overall view of a company's tech landscape to identify security threats. The company specializes in application security (phone apps like Twitter or even your Notes app).

Bionic's technology is so spectacular that even big companies like Microsoft are interested in it. Essentially, it helps ensure that the apps you use do not accidentally become weak points that hackers can exploit.

Notes (contd.)

CrowdStrike is also expanding its Falcon product suite with things like automated incident creation & investigation, a collaborative incident command center, and a secure no-code application developer.

Shares have returned 61.02% YTD.

Continue to accumulate and reinvest.

## NVDA

NVIDIA Corporation

Beta
1.90

Yield
0.04%

30d
Δ vs SPX
-6.91%

Total
α vs SPX
103.00%

Notes

Nvidia has had a phenomenal year. The last earnings report showed outstanding numbers that helped solidify the company's bid in the AI race. Of course, they already have a leg up because they've got the hottest GPU chips (H100) on the market when it comes to training AI. Nvidia is also pushing gaming boundaries with the company's new RTX5090. It is rumored to be released soon and is supposedly 1.7x faster than its predecessor.

NVDA recently partnered with Mercedes Benz to create a digital production system that helps them build physical cars. "By leveraging Omniverse, Mercedes-Benz can interact directly with its suppliers, reducing coordination processes by 50%. Using a digital twin in production doubles the speed for converting or constructing an assembly hall, while improving the quality of the processes," according to the automaker.

Shares are up 314.40% off 52-week lows and 205.54% YTD.

Continue to accumulate and reinvest.

## RKLB

Rocket Lab USA

Beta
2.12

Yield
0.00%

30d
Δ vs SPX
-26.53%

Total
α vs SPX
-64.40%

Notes

Rocket Lab has done amazing so far this year and has made eight successful attempts since January. Unfortunately, no company is perfect, and on September 19, 2023, the company had its first unsuccessful launch since May of 2021.

The overall picture still looks great, though, as they have had 19 successful launches in between those two failures. As of the time writing this, the reason for the failure is still undetermined.

When news of the failure broke, the stock price dropped about 7.5%. No major worries there, as over the course of the year the stock has done great, returning about 23.61% YTD at the time of writing this.

Continue to accumulate and reinvest.

## TSLY

YieldMax TSLA Option Income Strategy ETF

Beta
2.60

Yield
4.90%

30d
Δ vs SPX
2.90%

Total
α vs SPX
0.40%

Notes

TSLY has returned 51.71% YTD, according to Koyfin, as I write. It is volatile, but with a 53.12% yield, I am more than willing to put up with that.

Continue to accumulate and reinvest.

# Vegas Money (0.5-1%)

## NIO

NIO Inc

Beta
1.58

Yield
0.00%

30d
Δ vs SPX
-10.92%

Total
α vs SPX
-58.67%

Notes

Nio recently issued $1 billion in Convertible Senior Notes via a two-tranche bond setup that the company intends to use to pay down debt and strengthen its balance sheet. The notes are what is called “senior unsecured notes.”

If you’re not familiar with the terms, a senior unsecured note means that the note holders will be among the first to be repaid if there’s a default—but, importantly, they are considered subordinate to secured debt holders. The unsecured part means that the notes are not backed by specific collateral but are, instead, backed by Nio’s creditworthiness alone.

Ordinarily, this rattles investors because they see it as a sign of weakness... but ironically, offerings like this are catnip for institutional investors betting on upside.

I think it’s hard to tell which is which, and that’s exactly why we keep shares on a very tight leash as part of the Vegas Money segment of the OBA Model Portfolio—as in, you wouldn’t mind losing whatever you’ve invested in NIO if you were betting on it at the poker tables in Las Vegas.

The company just released a smartphone that is designed specifically for their vehicles and, while that’s an interesting twist, I cannot help but wonder if this isn’t bait and switch.

Consider NIO a HOLD, effective immediately.

# PORTFOLIO REVIEW

## POWW

Ammo Inc.

Beta
**1.60**

Yield
**0.00%**

30d
Δ vs SPX
-8.82%

Total
α vs SPX
-51.95%

Notes

It's been a quiet month for POWW.

Shares are trading 31.4% off 52-week lows and 39.5% off 52-week highs, putting it in a Goldilocks position. If you don't mind some volatility, then it is a good time to add to POWW... especially with US presidential primaries right around the corner.

Remember, this is Vegas Money, so allocate accordingly.

## XPEV

XPeng Inc.

Beta
**2.32**

Yield
**0.00%**

30d
Δ vs SPX
0.45%

Total
α vs SPX
-47.95%

Notes

I recommended NIO and XPEV as a 1-2 punch because it was impossible to pick a victor so early in the game. Now signs are emerging that XPEV may indeed be the stronger player.

For example, Xpeng stated that "in August 2023, XPENG recorded monthly deliveries of 13,690 Smart EVs, a 24% increase over the prior month and a 43% increase year-over-year."

The goal for the rest of 2023, as stated by Xpeng, is to unlock more advanced intelligent driving features for more cities and roads in the second half of 2023... which is EXACTLY what a focused company that understands its mission statement would say. It's a very Tesla-like move, not for nothing.

The company has $4.65B in cash at a time when the recently announced partnership with VW could really catapult it to new levels. Shares are up 82.39% YTD and 193.3% off 52-week lows.

## Hedges (as needed)

Notes

While I had hoped the Fed would have another "transitory" moment by now, my analysis suggests that it's prudent to keep our hedges in place for at least a little while longer. Doing so helps dampen overall portfolio volatility, enhances yield, and, importantly, allows us to focus on what's needed to stay "in to win!"

Studies suggest 3–5% of overall investable assets may be a good starting point, but to be sure, check with a financial advisor who is familiar with your personal risk tolerance, objectives, and circumstances.

Accumulate your hedges as needed using the same discipline used for other OBA recommendations.

### SH
ProShares Short S&P500 ETF
-10.34%

### RYURX
Rydex Series Fds, Inverse S&P 500 Strategy Fund Investor Class
-10.29%

### PSQ
ProShares Short QQQ ETF
-22.64%

### DOG
ProShares Short Dow30
-7.28%

Notes

*The day when we no longer need hedges will arrive, and probably sooner than people think if and when the Fed pivots. Meanwhile, I think it's prudent to keep our hedges in place for now. Doing so helps dampen overall portfolio volatility, enhances yield, and, importantly, allows us to focus on what's needed to stay "in to win!"*

*3–5% of overall investable assets may be a good starting point, but to be sure, check with a financial advisor who is familiar with your personal risk tolerance, objectives, and circumstances.*

*Accumulate your hedges as needed using the same discipline used for other OBA recommendations.*

## Foundation Stones

| | PORTFOLIO WEIGHT |
|---|---|
| Vanguard U.S. Quality Factor ETF (VFQY) | 32% |
| Pimco Strategic Income Fund (RCS) | 18% |

## Global Growth and Income

| | |
|---|---|
| BlackRock Science and Technology Fund (BST) | 31% |
| Pfizer Inc. (PFE) | 4% |
| Altria Group Inc. (MO) | 2% |
| AbbVie, Inc. (ABBV) | 2% |
| iShares MSCI Japan ETF (EWJ) | 2% |

## Zingers

| | |
|---|---|
| BlackRock Science and Technology Fund (BSTZ) | 9% |

## OBA Fund Folio™

My research suggests that Big Tech may have another 10-15% run ahead if earnings develop the way I expect them too.

This should translate into some healthy gains for the entire Fund Folio.

While that's great, it may also mean another mid-year adjustment to pare down risk while increasing upside capture.

Stay tuned!

KF

# One Bar Ahead® Model Portfolio

| PORTFOLIO DETAILS | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 10/4/2023 | STOCK | REC DATE | ENTRY $ | CURRENT | BETA | YIELD | Profit/Loss | STOP | 12-24mo Target | Last Instruction | Notes From Keith |
| FOUNDATION STONES | AAPL | 1/8/2021 | $ 132.05 | $ 173.77 | 1.22 | 0.56% | 31.6% | $ 147.34 | $ 225.00 | Buy/Accumulate | |
| | CLOI | 10/7/2022 | $ 50.05 | $ 51.93 | 0.04 | 5.42% | 3.8% | As Desired | $ 52.00 | Buy/Accumulate | |
| | JPM | 3/7/2022 | $ 129.21 | $ 143.33 | 0.99 | 2.94% | 10.9% | $ 118.50 | $ 175.00 | Buy/Accumulate | |
| | MSFT | 3/7/2022 | $ 278.91 | $ 319.80 | 1.14 | 0.96% | 14.7% | $ 269.62 | $ 380.00 | Buy/Accumulate | |
| | RCS | 10/1/2021 | $ 6.84 | $ 5.23 | 0.59 | 15.04% | -23.5% | As Desired | $ 8.25 | Buy/Accumulate | |
| Global Growth | ABBV | 2/3/2023 | $ 145.20 | $ 147.86 | 0.51 | 4.02% | 1.8% | 25% below entry | $ 180.00 | Buy/Accumulate | |
| | AMD | 8/4/2022 | $ 103.91 | $ 97.63 | 1.69 | 0.00% | -6.0% | 25% below entry | $ 132.65 | Buy/Accumulate | Took a Free Trade 5/23/2023 |
| | COST | 8/6/2021 | $ 439.63 | $ 572.02 | 0.95 | 0.72% | 30.1% | 25% below entry | $ 634.38 | Buy/Accumulate | |
| | CTRE | 6/6/2022 | $ 18.01 | $ 20.39 | 0.81 | 5.60% | 13.2% | $ 16.56 | $ 25.00 | Buy/Accumulate | |
| | CVX | 9/3/2021 | $ 97.49 | $ 163.17 | 0.64 | 3.62% | 67.4% | $ 141.04 | $ 219.00 | Take some profits + buy protective puts | Sold half the position on 1/27/23 for 107% total return |
| | GILD | 3/7/2022 | $ 60.26 | $ 74.78 | 0.53 | 4.09% | 24.1% | $ 67.10 | $ 107.90 | Buy/Accumulate | |
| | GIS | 7/5/2022 | $ 75.15 | $ 63.12 | 0.17 | 3.75% | -16.0% | $ 67.96 | $ 93.46 | Re-Enter/Accumulate | |
| | LMT | 11/5/2021 | $ 339.89 | $ 401.55 | 0.52 | 2.97% | 18.1% | $ 376.06 | $ 502.02 | Buy/Accumulate | |
| | MCD | 7/17/2023 | $ 294.68 | $ 255.91 | 0.63 | 2.39% | -13.2% | $ 255.92 | $ 364.44 | Buy/Accumulate | |
| | PFE | 3/4/2022 | $ 48.65 | $ 33.36 | 0.57 | 4.84% | -31.4% | 25% below entry | $ 70.00 | Buy/Accumulate | |
| | PLTR | 1/8/2021 | $ 25.20 | $ 15.74 | 1.89 | 0.00% | -37.5% | None | $ 50.00 | Buy/Accumulate | Took Free Trade 5/22/2023 |
| | RTX | 6/13/2022 | $ 91.95 | $ 70.17 | 0.79 | 3.34% | -23.7% | 25% below entry | $ 110.00 | Buy/Accumulate | |
| | TSLA | 7/25/2022 | $ 268.43 | $ 261.33 | 2.00 | 0.00% | -2.6% | 25% below entry | $ 300.00 | Buy/Accumulate | (1) (2/10/23) Took free ride of 103.6% from 52 week lows on 1/3/23 (2) Free |
| | WM | 10/31/2022 | $ 158.37 | $ 154.09 | 0.63 | 1.84% | -2.7% | 25% below entry | $ 180.38 | Buy/Accumulate | |
| Zingers | CRWD | 1/6/2022 | $ 187.49 | $ 164.15 | 1.49 | 0.00% | -12.4% | 25% below entry | $ 247.69 | Buy/Accumulate | |
| | NVDA | 3/7/2022 | $ 213.52 | $ 440.96 | 1.91 | 0.04% | 106.5% | 25% below entry | $ 500.00 | Buy/Accumulate | (2/10/23) Free ride of 106.6% from market lows (10/12/22) Free Trade 5/25/2023 |
| | RKLB | 12/2/2021 | $ 14.81 | $ 4.32 | 2.13 | 0.00% | -70.9% | 25% below entry | $ 17.00 | Buy/Accumulate | Free Trade 7/24/2023 |
| | TSLY | 9/1/2023 | $14.41 | $ 14.29 | 2.56 | 4.65% | -0.8% | | | Buy/Accumulate | |
| Vegas Money | NIO | 2/4/2022 | $ 23.96 | $ 8.83 | 1.60 | 0.00% | -63.1% | 25% below entry | | Hold | |
| | POWW | 10/10/2022 | $ 2.98 | $ 1.95 | 1.64 | 0.00% | -34.6% | 25% below entry | | Sell at 50% profit, GTC | |
| | XPEV | 2/4/2022 | $ 37.25 | $ 18.00 | 2.32 | 0.00% | -51.7% | 25% below entry | | Accumulate lightly | Free Trade 7/3/2023 |

| | TICKER | NAME | YIELD | Trailing 12 Months | Last Instruction |
|---|---|---|---|---|---|
| Hedges | SH | ProShares:Short S&P500 | 0% | -10.34% | Add as needed |
| | RYURX | Rydex Inverse S&P 500 Strategy Fund;Investor | 0% | -10.29% | Add as needed |
| | PSQ | ProShares:Sht QQQ | 0% | -22.64% | Add as needed |
| | DOG | ProShares:Short Dow30 | 0% | -7.28% | Add as needed |

# OBA 50

| Ticker | Name | Ticker | Name | Ticker | Name |
|---|---|---|---|---|---|
| AAPL | Apple Inc | GD | General Dynamics Co | PEP | PepsiCo, Inc |
| ABBV | AbbVie Inc. | GILD | Gilead Sciences Inc | PFE | Pfizer Inc |
| ABT | Abbott Laboratories | GIS | General Mills Inc | PG | Procter & Gamble Co. |
| ADBE | Adobe Inc | GOOGL | Alphabet Inc | PLTR | Palantir Technologies Inc |
| AMAT | Applied Materials Inc | HCA | HCA Healthcare Inc | QCOM | Qualcomm Inc |
| AMD | Advanced Micro Devices Inc | INTC | Intel Corp | REGN | Regeneron Pharma Inc |
| AMZN | Amazon Com Inc | JNJ | Johnson & Johnson | RTX | Raytheon Technologies Inc |
| CAT | Caterpillar Inc | JPM | JPMorgan Chase & Co | SBUX | Starbucks Corporation |
| CME | CME Group | LMT | Lockheed Martin Corp | TMUS | T-Mobile US Inc |
| COST | Costco Wholesale Corp | LNG | Cheniere Energy Inc | TSLA | Tesla Inc |
| CRWD | CrowdStrike Holdings Inc | LOW | Lowes Companies Inc | UNH | United Healthgroup Inc |
| CTRE | Caretrust REIT | LRCX | Lam Research Corp | UNP | Union Pacific |
| CVS | CVS Health Corp | MCD | McDonald's Corp | V | Visa Inc |
| CVX | Chevron Corporation | MRNA | Moderna Inc | WM | Waste Management Inc |
| DE | Deere & Co | MSFT | Microsoft Corp | WMT | Walmart Inc |
| F | Ford Motor Company | NET | Cloudflare Inc | ZTS | Zoetis Inc |
| FTNT | Fortinet Inc | NVDA | Nvidia Corp | | |

All data as of September 29, 2023

Chapter 5

# MASTER MARKET INDICATOR®

Improve results, reduce risk, gain confidence!

# BULL/BEAR STATE INDICATOR

## Bull/Bear State Indicator

Understanding the “state” of the markets is key when it comes to investing.

Traditionally, investors have used the 200-day simple moving average (SMA) to gauge bullish or bearish conditions. But because today’s markets move so quickly, the 200-day SMA has become too unwieldy and sluggish.

That’s why I created the **Bull/Bear State Indicator®** (BBSI).

Reading the BBSI is very simple:

- The markets are **bullish** when the red line is above the blue line.
- The markets are **bearish** when the red line is below the blue line.

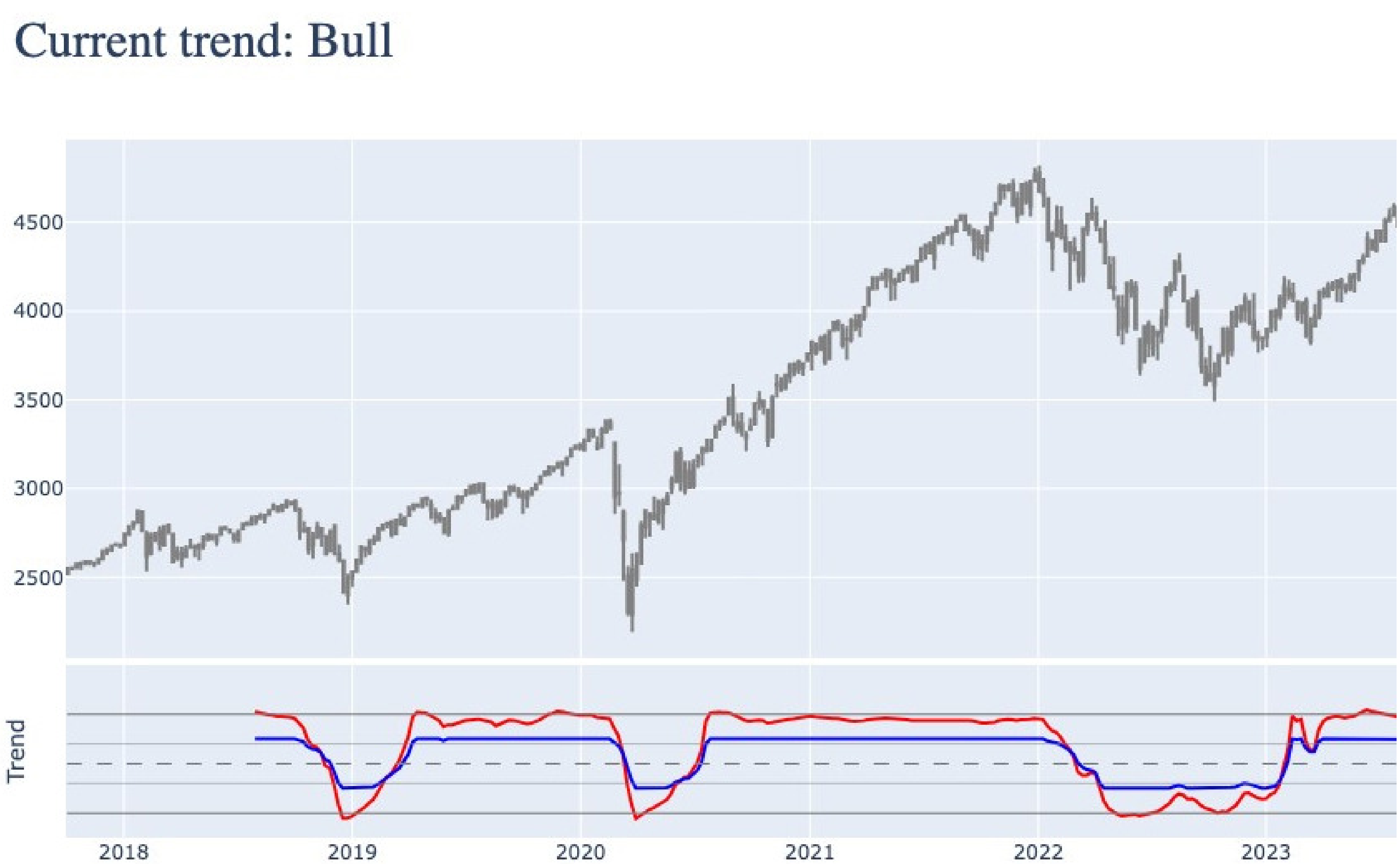
You’ll notice that the BBSI tends to spike higher and lower very quickly, and that’s by design. Institutional interest, liquidity, and volatility tend to cluster at or near key market turning points.

You cannot see those things using the 200-day SMA, but you can very clearly see ‘em using the Bull/Bear State Indicator. And in doing so, invest accordingly.

When conditions shift, you will see that the red line crosses above the blue ushering in the promise of more sustainable momentum and a normal statistical range.

**Current Reading = Bullish (as of 4/28/23)**

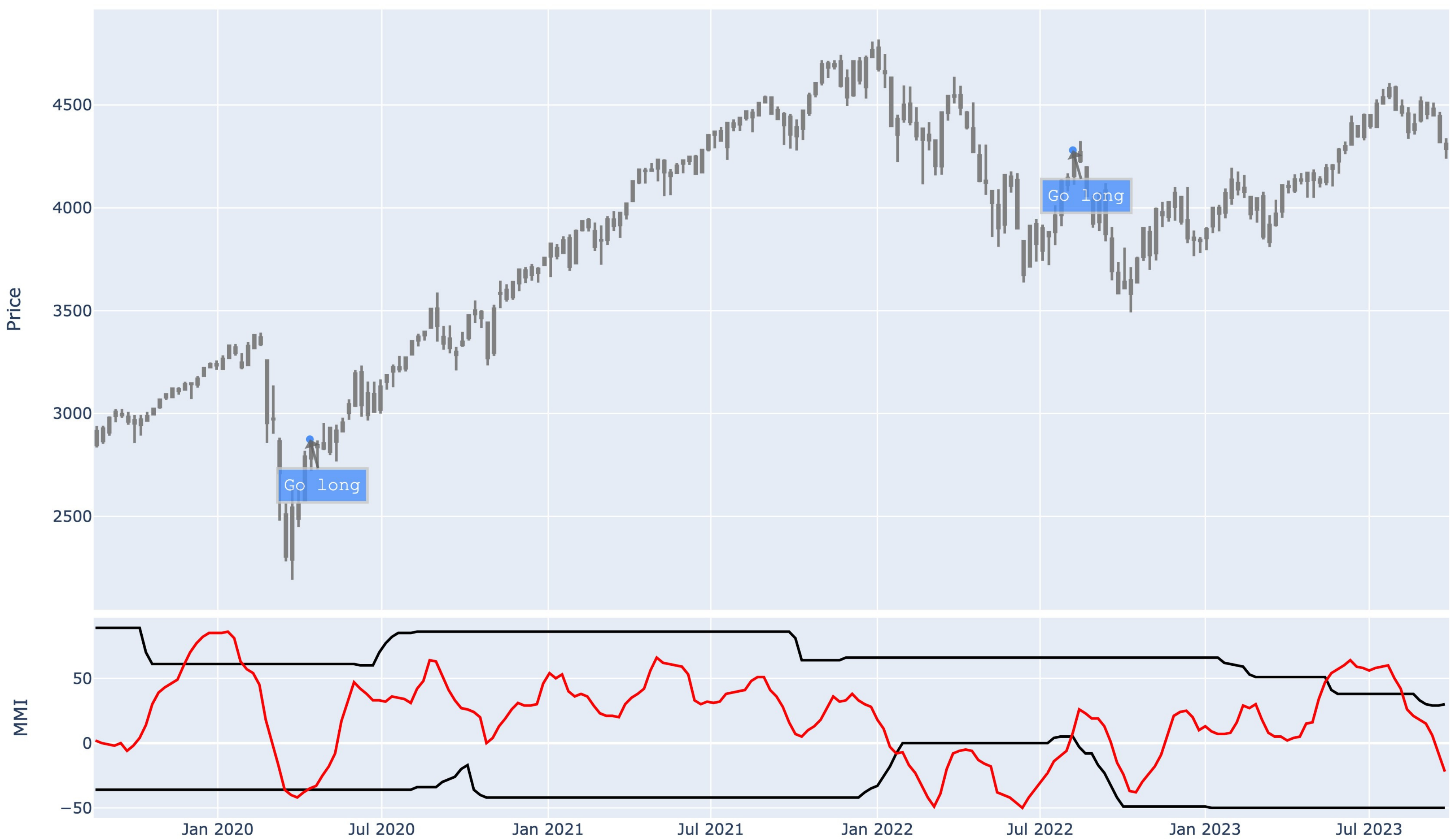
KF



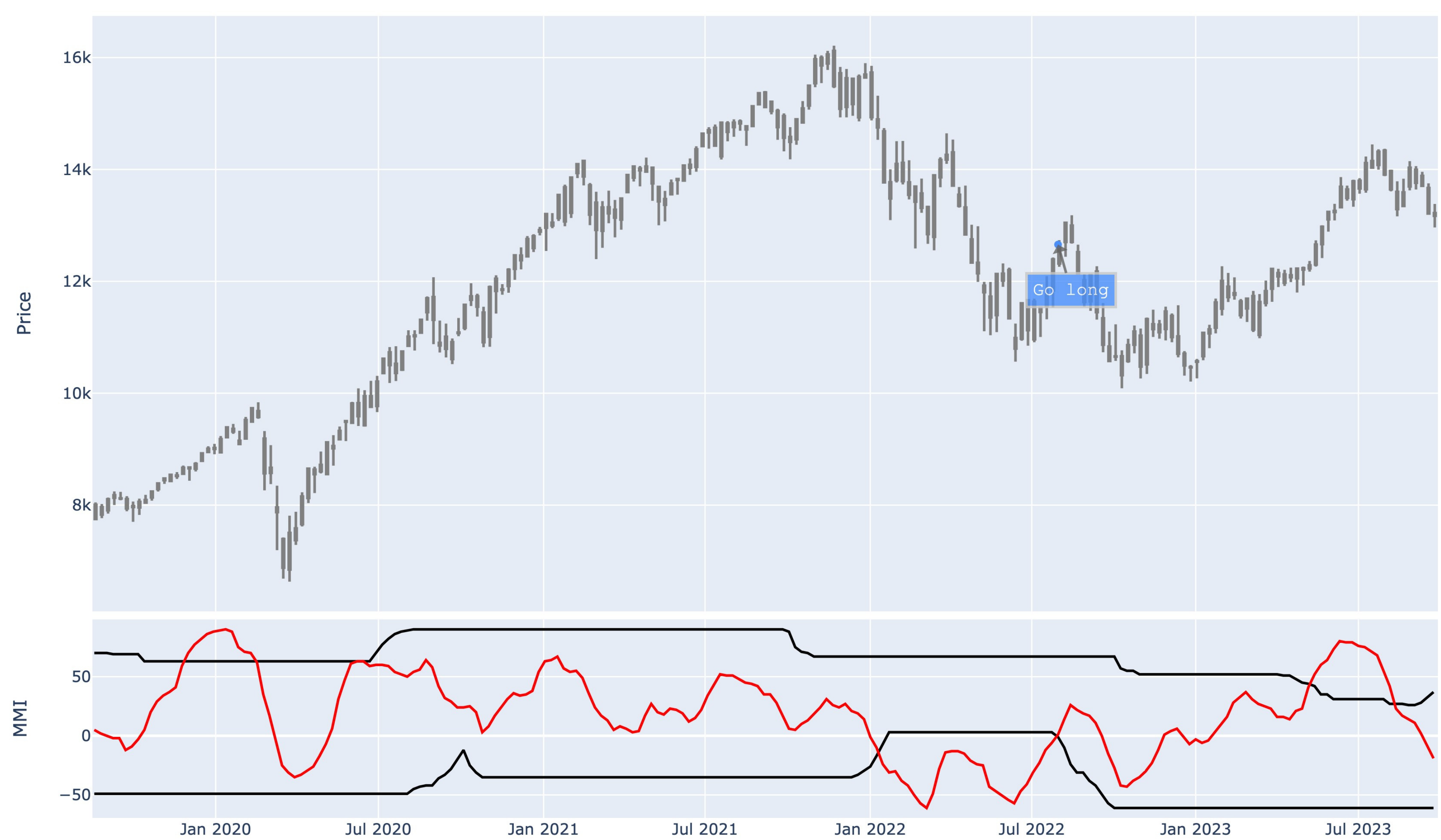

All other chart data as of September 29, 2023

# SIMPLE, UNDERSTANDABLE, ACTIONABLE

## SPX




## Nasdaq



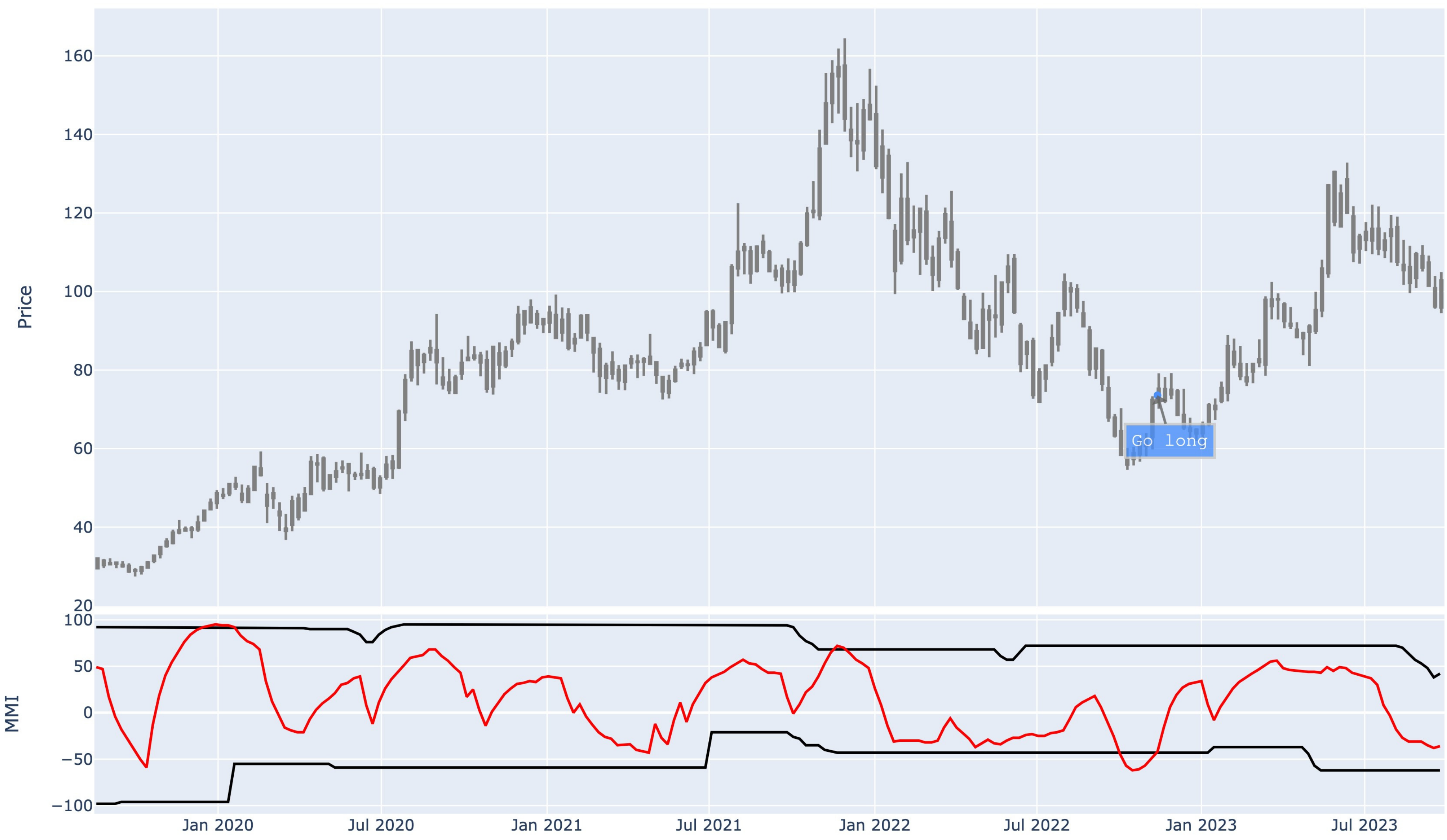
# SIMPLE, UNDERSTANDABLE, ACTIONABLE

AAPL


ABBV

# SIMPLE, UNDERSTANDABLE, ACTIONABLE

AMD




CLOI

# SIMPLE, UNDERSTANDABLE, ACTIONABLE


# SIMPLE, UNDERSTANDABLE, ACTIONABLE

## CTRE


## CVX

# SIMPLE, UNDERSTANDABLE, ACTIONABLE

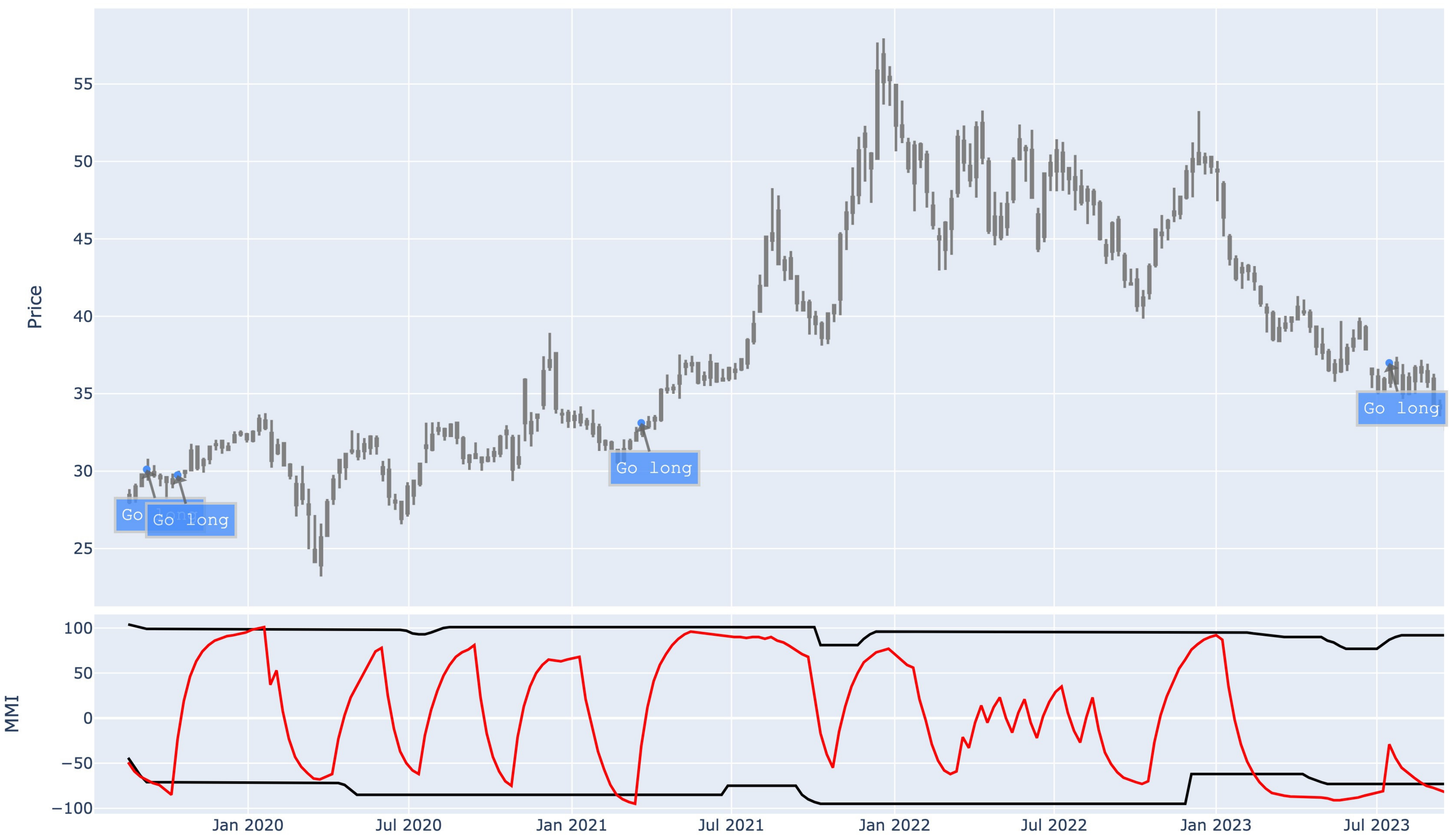

# SIMPLE, UNDERSTANDABLE, ACTIONABLE


# SIMPLE, UNDERSTANDABLE, ACTIONABLE


# SIMPLE, UNDERSTANDABLE, ACTIONABLE


# SIMPLE, UNDERSTANDABLE, ACTIONABLE

## PFE




## PLTR


POWW
Price
10
8
6
4
2
Go long
Go long
Go long
Go long
MMI
100
50
0
−50
−100
Jan 2020
Jul 2020
Jan 2021
Jul 2021
Jan 2022
Jul 2022
Jan 2023
Jul 2023


RCS
Price
6.5
6
5.5
5
4.5
4
3.5
Go long
MMI
100
50
0
−50
−100
Jan 2020
Jul 2020
Jan 2021
Jul 2021
Jan 2022
Jul 2022
Jan 2023
Jul 2023

# SIMPLE, UNDERSTANDABLE, ACTIONABLE


# SIMPLE, UNDERSTANDABLE, ACTIONABLE

## TSLA


## TSLY

# SIMPLE, UNDERSTANDABLE, ACTIONABLE


# HIGH PERFORMANCE OVER 50

## 8 “living-healthy” habits for financial success

I'll just say it.

Making money and building wealth are a lot easier when you're "living healthy."

Don't get me wrong, I didn't say being healthy.

We all have our challenges. In my case, that's more broken bones than I can count, a crushed C-spine years ago, and more recently, some internal surgery that would have stopped me cold had I let it.

I said, *"living healthy."*

Science, of course, backs this up.

A 2017 study from the University of Georgia and the Federal Reserve Bank of Chicago (I know, try not to laugh—those guys!) showed that healthier people make roughly 28% more money than unhealthy people over the course of their lifetime.

A 2020 study from the University College London and Harvard University found that healthier and wealthier people tend to live an average of 8–9 more disability-free years after age 50 than less-healthy, less-wealthy peers. It's worth noting that researchers found that social class, education, race, and other data all had an impact, but wealth was by far the biggest single determinant.

Mindset is particularly important because having a focus on optimism helps cultivate resilience and a strong mental model that fosters effective stress management.

There's something else.

A strong mindset goes hand in hand with healthy habits because those things help reduce anxiety, depression, fear, and uncertainty. All three of which contribute to building wealth.

### Here are 10 of my favourite Healthy Habits.

**1 – Get your 5** – Meaning, eat a balanced diet of fruits, veggies, and other healthy foods to reduce the risk of chronic diseases. Particularly those that are increasingly viewed as driven by inflammation, like heart disease, obesity, arthritis, Alzheimer's, and more.

**2 – Sleep 6–8 hours** – I know... like I should be talking, given that I operate at Mach 5 with my hair on fire, but that doesn't stop me from trying to get 7 hours a night. Sleep is the body's way of recovering while also playing a critical role in hormone regulation associated with a reduced risk of neurodegenerative diseases. It also makes for a brighter day in terms of concentration span and focus.

**3 – 30 minutes of exercise** – Every "body" is different, but the science is irrefutable. MOVE however you can. Anything from a walk in the forest to simple yard work counts, as long as you do it consistently. My friend Bill used to walk just 25 yards from the house to the mailbox because that was all his body would allow... but he did it rain or shine! Watch the Invictus Games, and if you don't come away inspired, something's wrong; then get busy again, however you can.

**4 – Read for 20 minutes** – The Internet does NOT count; I am talking about good ol' books or magazines. Doing so helps develop attention span while providing your brain a break from the constant distractions associated with our smartphones, etc. in an increasingly digital world. The Internet IS making us dumber, and the body of evidence backing that up is growing by the minute, which is why, I suppose, our devices are getting constantly more intrusive.

**5 – Drink water** – If you wait until you're thirsty, it's too late. A general rule of thumb that works for me is to consume ½ of your body weight in ounces. I weigh in at 180 lbs, so that's about 60 ounces a day, for example. However, I will take that number up if it's hot or I'm out charging around my SEAL buddies whose idea of fun would put most folks 6 feet under.

**6 – Get 30–45 minutes of fresh air** – I'll be perfectly honest; I cheat on this one. Noriko and I keep the windows open most of the year so that we're taking in as much of the clear, PNW air as we can at all times. We walk, we run, we motorcycle because the oxygenation helps boost our immune system, increases vitamin D synthesis, and promotes better circulation. Plus, it makes us happier, so there is that!

**7 – Body prime** – Motivational expert Tony Robbins is a big proponent of this, for the same reasons I am. Body priming helps increase my blood flow, sharpens my mental focus, and engages neuromuscular connections I know I'll need for the long hours I put in. Most days, I'm rolling by 0500 after a quick 15-minute routine of dynamic stretching, mobility exercises, and targeted activation techniques, including some light weights, nunchaku, or even iaido.

**8 – Spending time with loved ones** – I've been extraordinarily fortunate to have met and married the love of my life, Noriko. We can count the days that we've been apart during our marriage on one hand and have fingers left over; not literally, but figuratively. Spending time with our spouses, family, and friends enriches our lives while creating the conversations, laughter, tears, and fears that make us all who we are. I think it's an incredibly underrated part of life!

At the end of the day, it doesn't matter what you think about healthy habits, just that you get started forming 'em. I won't be offended or surprised in the least if you write and tell me "it's hard."

The key, as is the case with investing, is to start small. Then, when you've achieved a bit of success, to build on that over time.

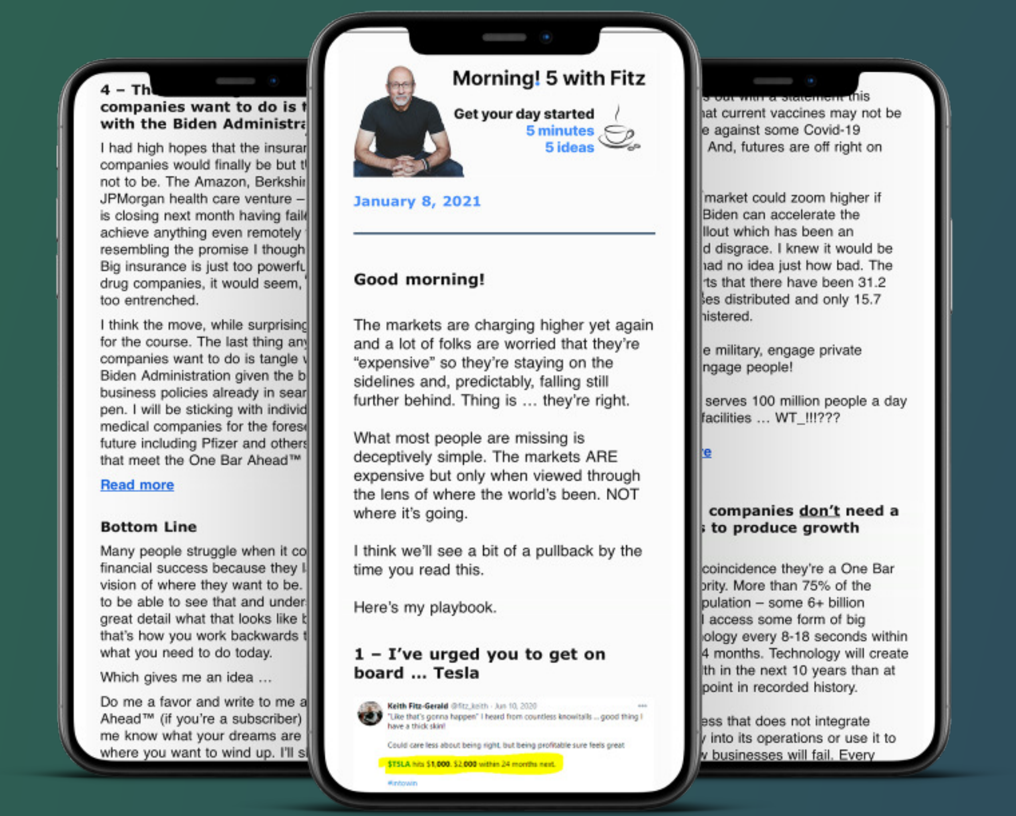
Next thing you know, you will be building new connections and new healthy habits.

Just like I did.

*KF*

# Thank You for Reading One Bar Ahead®

**The quest for consistent safety-first, big-picture profits never stops. You simply need access to the right stocks, the right strategies, and the right education. No gotchas, no gimmicks. In plain English.**




## So good, pros read it too!

**For more of Keith's analysis and research, make sure you're signed up to get his daily trading notes for FREE!**

**Often described as the next best thing to sitting next to him when the opening bell rings, some readers even go as far as saying it's the best part of their morning!**

**SIGN UP NOW**

↓

**www.FiveWithFitz.com**



Keith Fitz-Gerald's ONE BAR AHEAD™

@fitz_keith

www.keithfitz-gerald.com