



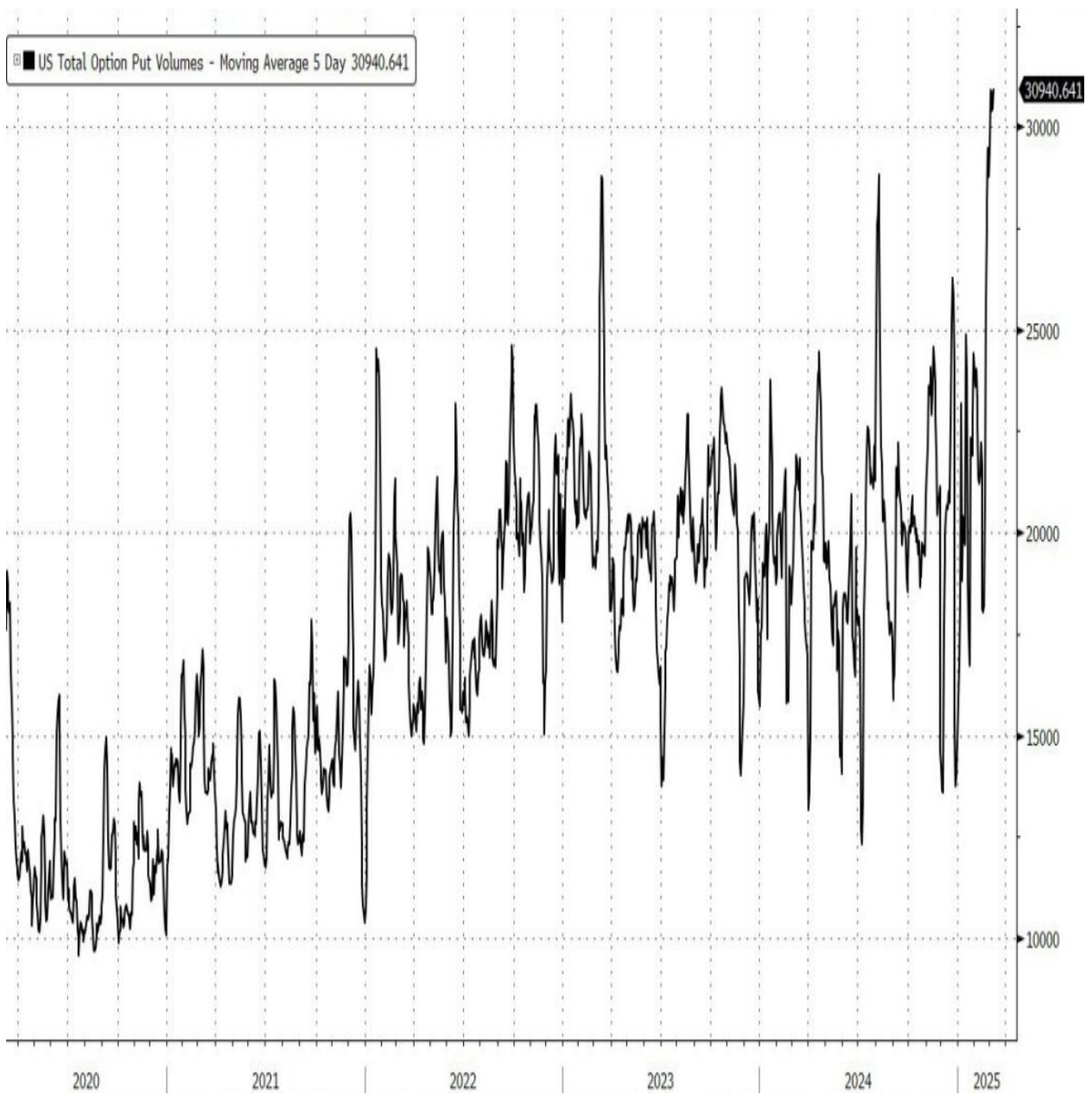
Buy The Dip Or Sell The Rip?

The rally over the last two years has helped investors forget that markets also go down. After two +20% consecutive years, a sudden 8% drop from recent highs has investors panicking. Bear in mind, no pun intended, that the S&P 500 is only down 4% for 2025. Consider the graph below. It shows that the running five-day put volume set a record. So the question is whether we are now in a topping process with more losses to come or on a short break from the bull market. To rephrase the question, should we buy the dip or sell the rip?

Buying the dip implies the market is nearing a bottom. This presumes investors will get comfortable with tariffs and fiscal spending cuts. Possibly, it also means that Trump's other plans, like lower taxes and looser regulations, generate optimism. We can't rule out a more dovish Fed to boost optimism. Moreover, earnings expectations do not decline much despite signs of slowing growth.

Conversely, selling the rip implies the market is in a topping process. Furthermore, it likely means below-average growth or even a recession.

So are we buying the dip or selling the rip? The answer may be both. We do think the market is very oversold. However, the macroeconomic landscape is deteriorating, and we believe it will be hard for earnings to match current expectations. However, we rely heavily on technical indicators. This helps keep a level head when bad decisions are more likely to get the best of us. We are leaning toward a rally but eventually selling the rip. In other words, let the market's oversold condition normalize a bit. Moreover, if economic conditions continue to deteriorate and our important long-term indicators turn bearish, we may reduce exposure.



What To Watch Today

Earnings

Wednesday Mar 12	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time		
Adobe Systems <small>ADBE:US</small>	4.97	4.48		5.66B	5.18B		\$192.7B	Q1	PM	★	🔔
Crown Castle International <small>C</small>	0.45	0.83		1.64B	1.67B		\$43.88B	Q4	PM	★	🔔
Dollar Tree <small>DLTR:US</small>	2.19	2.55		8.24B	8.64B		\$14.74B	Q4	AM	★	🔔
Williams Sonoma <small>WSM:US</small>	2.90	5.44		2.34B	2.28B		\$11.9B	Q4	AM	★	🔔
ABM Industries <small>ABM:US</small>	0.76	0.86		2.07B	2.1B		\$3.31B	Q1	AM	★	🔔
American Eagle Outfitters <small>AEO</small>	0.50	0.61		1.61B	1.7B		\$2.38B	Q4	PM	★	🔔

Economy

Wednesday March 12 2025			Actual	Previous	Consensus	Forecast		
06:00 AM	 US	MBA 30-Year Mortgage Rate MAR/07		6.73%				
06:00 AM	 US	MBA Mortgage Applications MAR/07		20.4%				
06:00 AM	 US	MBA Mortgage Market Index MAR/07		242.2				
06:00 AM	 US	MBA Mortgage Refinance Index MAR/07		784.2				
06:00 AM	 US	MBA Purchase Index MAR/07		144.5				
07:30 AM	 US	Core Inflation Rate MoM FEB		0.4%		0.3%		
07:30 AM	 US	Core Inflation Rate YoY FEB		3.3%		3.1%		
07:30 AM	 US	Inflation Rate MoM FEB		0.5%		0.3%		
07:30 AM	 US	Inflation Rate YoY FEB		3%		2.9%		
07:30 AM	 US	CPI FEB		317.67		319.3		
07:30 AM	 US	CPI s.a FEB		319.086		320		

Market Trading Update

Yesterday, we touched on the depth of the recent sell-off. The markets were set to bounce in the early morning, but more threats of tariffs on Canada quickly canceled that rally. Nonetheless, even though the market finished lower, there was decent "bottom fishing" during the day, with the more beaten-down Technology stocks finding a bid. As shown, the markets remain on a deep oversold basis, and a counter-trend rally to the 200-DMA, which is now initial resistance is likely in the next day or two barring any more rhetoric from the White House.

Notably, while headlines are lit up with recession talk, this is not currently the case. It will take several months of data to determine if a recession is in the offing. However, while it may seem as if the recent decline is traumatic, it is just 9% from the peak and just a normal correction after a significant run from last August's lows. *The current technical damage will take some time to repair, so we are now in a "sell the rally" mode, as noted yesterday.*



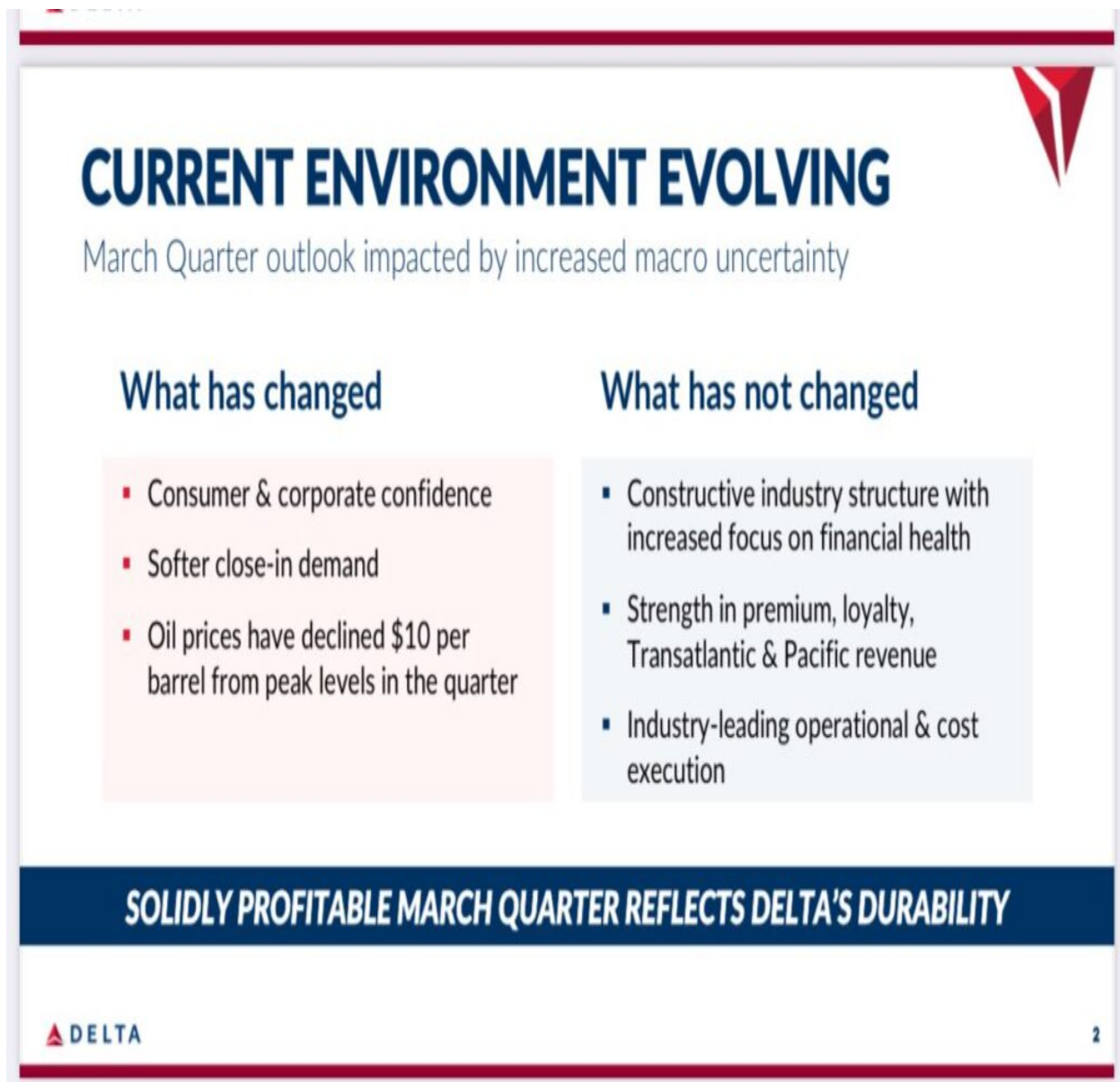
TradingView

Continue to manage risk accordingly but use rallies to rebalance as needed

Walmart and Delta Send Warnings

The CEOs of Walmart and Delta recently warned that they are seeing more sluggish consumer activity. To wit, the Walmart CEO stated, *“You can see that the money runs out before the month is gone, you can see that people are buying smaller pack sizes at the end of the month.”* Delta’s CEO offered similar caution: *“The outlook has been impacted by the recent reduction in consumer and corporate confidence caused by increased macro uncertainty, driving softness in Domestic demand.”* He also noted that Federal air bookings are off about 50%.

In addition to hard economic data and soft surveys, corporate statements are a good way to assess the economy. These two consumer giants tell us they are seeing some softness. Accordingly, earnings reports, especially for personal consumer-facing companies in mid- to late April, will be very telling.




CURRENT ENVIRONMENT EVOLVING

March Quarter outlook impacted by increased macro uncertainty

What has changed	What has not changed
<ul style="list-style-type: none">▪ Consumer & corporate confidence▪ Softer close-in demand▪ Oil prices have declined \$10 per barrel from peak levels in the quarter	<ul style="list-style-type: none">▪ Constructive industry structure with increased focus on financial health▪ Strength in premium, loyalty, Transatlantic & Pacific revenue▪ Industry-leading operational & cost execution

SOLIDLY PROFITABLE MARCH QUARTER REFLECTS DELTA'S DURABILITY

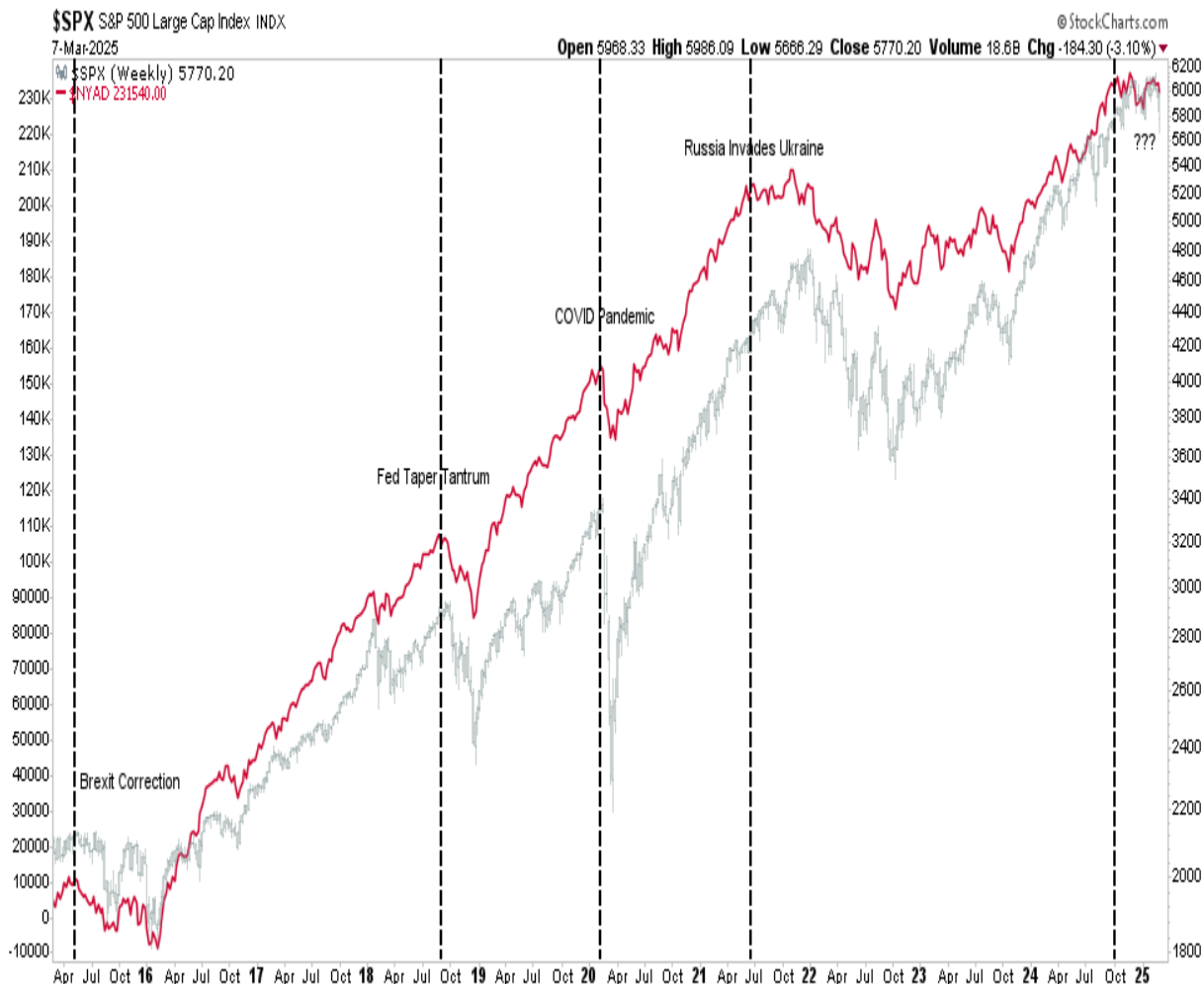
 DELTA 2

NYSE A/D Line: A Topping Process In Progress?

As we have discussed since the beginning of this year, the risk of disappointment remains elevated. Wall Street analysts remain optimistic about earnings and economic growth, but market behaviors tell a different story. Volatility is rising, and as we stated previously, volatility is likely to be a regular *“dance partner”* this year as markets come to grips with slower economic growth, rising political uncertainty, and over-valued markets.

We, nor does anyone else, know how the market will end this year. This is why technical indicators?the **NYSE Advance-Dcline (A/D) Line**, **Relative Strength Index (RSI)**, and **Moving Average Convergence Divergence (MACD)**?are signaling caution, suggesting that investors should take a closer look at their risk management strategies.

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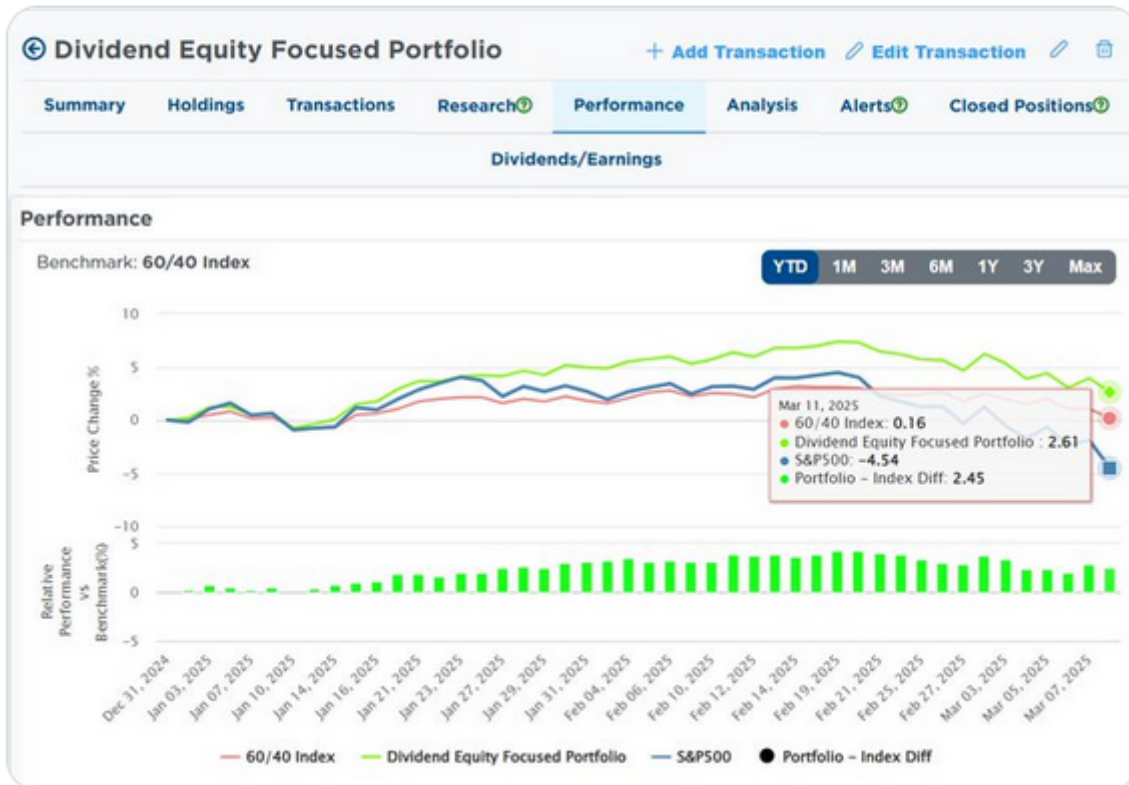
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So, I just checked the year-to-date performance of our Dividend Growth Equity Portfolio as it owns [\\$NVDA](#), [\\$META](#), [\\$GOOG](#), [\\$AAPL](#), [\\$AMZN](#) and [\\$MSFT](#). The portfolio is up 2% with the market down 4.5%. This is the benefit of [#diversification](#) during volatile markets. Not everything goes down at once.



?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)

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