Portfolio Trade Alert - April 9, 2025

Trade Alert - All Models

This week's sell-off triggered our weekly sell signals, historically suggesting a much larger potential corrective cycle is in place. However, when this signal is triggered, markets tend to be very oversold and set up for a near-term rally where we can reduce risk at a better level. At the same time, a more critical liquidity event is brewing in the bond market.

The recent spike in bond yields starting Monday is a forced liquidation event in the bond market. It suggests rising credit risk, particularly in hedge funds' highly leveraged arbitrage trades. In 2019 and 2020, we saw similar events where the Federal Reserve was forced to step in and become a "buyer of last resort." While that hasn't happened yet, if rates keep rising as sharply as they have been, the Fed will be forced to maintain financial stability in the credit markets. As such, we are shortening our bond duration sharply until this crisis passes and shifting exposure from stocks most impacted by credit risk increases.

Once this crisis is over, we will rebalance portfolios and increase duration to take advantage of slower economic growth and a potential recession.

Equity Model

- *Reduce ABBV to 2% of the portfolio.*
- *Reduce LLY and JPM to 1.5% of the portfolio*.
- *Increase BRK.B, NVDA, and PLTR to 3% of the portfolio*
- *Increase PANW to 2.5% of the portfolio*
- *Add to GOOG to bring it up to weight at 4.5% of the portfolio*
- *Reduce EDV to 5% of the portfolio and increase IEI to 13.5%.*

ETF Model

- *Reduce XLV to 6% of the portfolio.*
- *Reduce XLF to 4% of the portfolio.*
- *Increase MGK to 5% of the portfolio.*
- *Reduce EDV to 5% of the portfolio and increase IEI to 13.5%.*

Dividend Equity Model

- *Sell 1/2 of TFC, FRT, SPG, MDT, O, JPM, and GS*

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