

The Strategic Crypto Reserve - RIA

On Sunday night, President Trump announced the much-anticipated Strategic Crypto Reserve. While the US already has oil and gold reserves for strategic purposes, the purpose of the Strategic Crypto Reserve is unclear. Per the Wall Street Journal quote below, the reserve sounds more like an investment in an industry than a strategic reserve in the traditional sense.

“A U.S. Crypto Reserve will elevate this critical industry after years of corrupt attacks by the Biden Administration,” said Trump in a Sunday post on his social-media platform Truth Social. “I will make sure the U.S. is the Crypto Capital of the World.”

Bear in mind that the US holds almost \$20 billion of cryptocurrencies due to cybercrime seizures. It is unclear whether the government will issue debt to add to its cryptocurrency stash. We may learn more at the White House Crypto Summit on Friday.

Our two cents: By definition, the US government uses and borrows the dollar at will. If need be, they can print it. The dollar is also the world’s reserve currency, meaning that most countries accept it and use it for foreign transactions. Furthermore, the dollar is backed by the world’s largest economy, the most liquid capital markets, and the most powerful military. More simply, it’s an accepted and reliable global reserve currency. Which begs the question, why? The Strategic Crypto Reserve is not, in fact, strategic or necessary.



What To Watch Today

Earnings

| Tuesday Mar 4 | EPS | Consensus | Previous | Revenue | Consensus | Previous | MarketCap | Fiscal | Time | | |
|--|-------|-----------|----------|---------|-----------|----------|-----------|--------|------|---|---|
| CrowdStrike Holdings <small>CRWD</small> | 0.86 | 0.95 | | 1.03B | 845.3M | | \$95.96B | Q4 | PM | ★ | 🔔 |
| Target <small>TGT</small> | 2.24 | 2.98 | | 30.65B | 31.9B | | \$57.28B | Q4 | PM | ★ | 🔔 |
| AutoZone <small>AZO</small> | 29.03 | 28.89 | | 3.98B | 3.9B | | \$56.98B | Q2 | AM | ★ | 🔔 |
| Ross Stores <small>ROST</small> | 1.65 | 1.82 | | 5.94B | 6.02B | | \$46.45B | Q4 | PM | ★ | 🔔 |
| Best Buy <small>BBY</small> | 2.39 | 2.72 | | 13.66B | 14.65B | | \$18.86B | Q4 | AM | ★ | 🔔 |
| BOXX <small>BOX</small> | 0.41 | 0.37 | | 279.47M | 256.48M | | \$4.68B | Q4 | PM | ★ | 🔔 |
| AeroVironment <small>AVAV</small> | 0.61 | 0.63 | | 195.62M | 186.6M | | \$4.33B | Q3 | PM | ★ | 🔔 |
| Nordstrom <small>JWN</small> | 0.92 | 0.96 | | 4.27B | 4.42B | | \$3.97B | Q4 | PM | ★ | 🔔 |

Economy

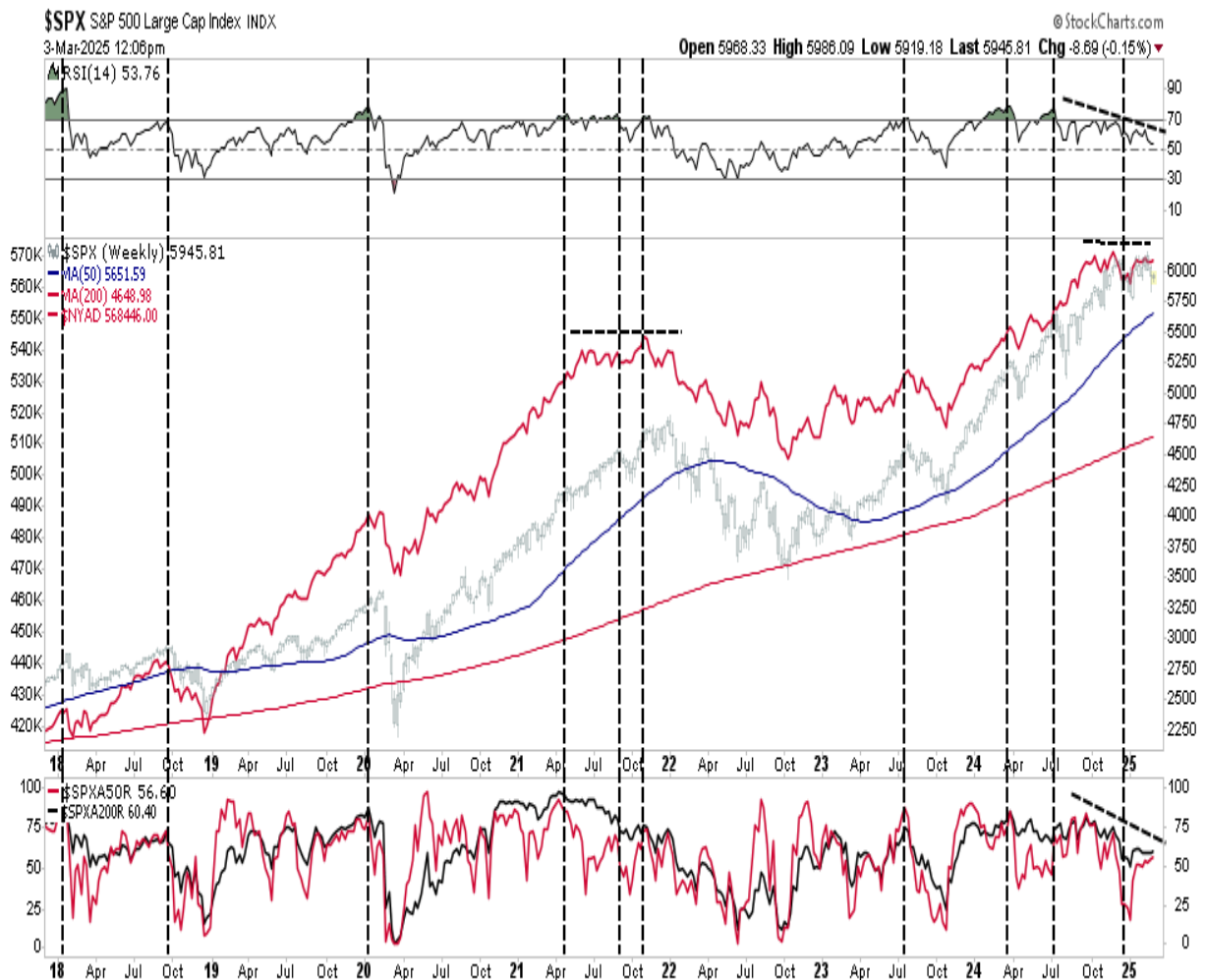
| Tuesday March 04 2025 | | | Actual | Previous | Consensus | Forecast | | |
|-----------------------|----|---|--------|----------|--------------|----------|--|---|
| 07:55 AM | US | Redbook YoY <small>MAR</small> | | 6.2% | | | | 🔔 |
| 09:00 AM | US | RCM/TIPP Economic Optimism Index <small>MAR</small> | | 52 | | 53 | | 🔔 |
| 09:30 AM | US | NY Fed Treasury Purchases 6 to 10 yrs | | | \$50 million | | | |
| 01:20 PM | US | Fed Williams Speech | | | | | | |

Market Trading Update

Yesterday, we discussed that March starts the seasonally strong period through April for the markets. Notably, a rally is becoming more probable with the sentiment very bearish and the short-term oversold market condition.

However, stepping back, our concerns about the market continue with economic data showing weakness, earnings estimates being revised lower, and the technical backdrop beginning to stall. The latter is the point I want to discuss today.

In the chart below, we see a negative divergence in relative strength and market breadth. While such is not always a signal of an impending crash, such often precedes long periods of consolidation at best and corrections at worst. However, the more significant concern is the red line in the chart. That red line is the NYSE Advance-Decline line. That indicator has stalled since November as the market has rotated from growth to value. The last time we saw such a long period of stagnation was in 2021, heading into the 2022 correction process. Then, like today, there were also negative divergences in breadth and momentum. While I am not suggesting that investors immediately become bearish and remove allocations from the market, it bears watching closely in the days and weeks ahead.



The deterioration of the number of sectors and markets on bullish buy signals also supports that technical data. Just a few months ago, only bonds exhibited a bearish *MA Signal*. (*The MA Signal is a moving average crossover of an intermediate and long-term moving average.*) Over the last few months, we have watched the number of bearish crossovers expand. The number of bearish crossovers is not in and of themselves a *technical warning*, however, as with breadth, the deterioration of momentum in the market is notable.

| Sector | | Relative Performance to S&P 500 Index | | | | | | Moving Averages | | | | Month End & Beta | | Risk Range | | | | |
|-----------------|--------------------------------|---------------------------------------|--------|--------|---------|---------|---------|-----------------|-----------------|---------|----------------|------------------|-----------------|------------------|--------|--------|-------------|------------|
| Symbol | Name | Last Price | 1 Week | 4 Week | 12 Week | 24 Week | 52 Week | Short MA | Short MA Px Dev | Long MA | Long MA Px Dev | MA Signal | Month End Price | Beta 5Yr Monthly | Low | High | Range Width | Risk Level |
| IVV | ISHAR5-SP500 | 597.04 | -0.97% | -1.26% | -2.26% | 5.66% | 15.84% | 601.72 | -0.78% | 581.43 | 2.68% | Bullish | 604.66 | 1.00 | 589.54 | 619.78 | 30.23 | NORMAL |
| Market Sectors | | | | | | | | | | | | | | | | | | |
| XLB | Materials | 88.76 | 1.75% | 1.23% | -1.17% | -9.90% | -14.93% | 88.14 | 0.70% | 90.84 | -2.28% | Bearish | 88.79 | 1.17 | 85.53 | 92.05 | 6.52 | NORMAL |
| XLC | Communication Services | 102.00 | -0.02% | 0.89% | 3.32% | 11.76% | 11.63% | 100.24 | 1.76% | 93.45 | 9.15% | Bullish | 102.38 | 1.10 | 98.69 | 106.07 | 7.37 | NORMAL |
| XLE | Energy | 91.00 | 1.04% | 5.09% | 2.24% | 0.86% | -11.41% | 89.56 | 1.61% | 90.38 | 0.91% | Bearish | 87.64 | 0.72 | 84.82 | 90.46 | 5.64 | HIGH |
| XLF | Financial | 52.18 | 3.78% | 2.64% | 5.79% | 11.57% | 11.67% | 50.25 | 3.83% | 47.27 | 10.38% | Bullish | 51.47 | 1.02 | 49.66 | 53.28 | 3.62 | NORMAL |
| XLI | Industrials | 136.33 | 2.07% | -0.20% | -0.75% | -1.25% | -3.66% | 136.88 | -0.40% | 133.67 | 1.99% | Bullish | 138.35 | 1.09 | 133.38 | 143.32 | 9.93 | NORMAL |
| XLK | Technology | 225.53 | -3.01% | -1.03% | -4.10% | -3.35% | -8.83% | 234.93 | -4.00% | 228.04 | -1.10% | Bullish | 230.81 | 1.22 | 222.22 | 239.40 | 17.17 | LOW |
| XLP | Consumer Staples | 83.08 | 2.04% | 6.45% | 3.11% | -6.67% | -4.27% | 80.06 | 3.77% | 80.51 | 3.20% | Bearish | 78.98 | 0.58 | 76.55 | 81.41 | 4.87 | HIGH |
| XLRE | Real Estate | 43.15 | 3.15% | 5.44% | 0.84% | -10.22% | -6.71% | 41.89 | 3.02% | 42.45 | 1.65% | Bearish | 41.42 | 1.19 | 39.89 | 42.95 | 3.06 | HIGH |
| XLU | Utilities | 79.22 | -0.34% | 2.98% | 1.67% | -4.80% | 12.51% | 78.46 | 0.98% | 77.41 | 2.34% | Bullish | 77.88 | 0.74 | 75.36 | 80.40 | 5.05 | NORMAL |
| XLV | Health Care | 148.93 | 2.67% | 2.66% | 5.48% | -10.29% | -14.07% | 143.30 | 3.93% | 147.79 | 0.77% | Bearish | 146.87 | 0.67 | 142.21 | 151.53 | 9.31 | NORMAL |
| XLV | Consumer Discretionary | 215.96 | -0.15% | -5.72% | -4.98% | 6.54% | 0.88% | 226.73 | -4.75% | 207.10 | 4.28% | Bullish | 232.17 | 1.29 | 223.37 | 240.97 | 17.60 | LOW |
| XTN | Transportation | 83.27 | -0.73% | -5.64% | -7.42% | 0.44% | -14.84% | 88.81 | -6.24% | 84.36 | -1.29% | Bullish | 89.44 | 1.48 | 85.88 | 93.00 | 7.12 | LOW |
| Market Variants | | | | | | | | | | | | | | | | | | |
| RSP | S&P 500 Eq Wght | 180.18 | 1.17% | 0.68% | -0.45% | -2.71% | -5.93% | 180.19 | -0.01% | 176.99 | 1.80% | Bullish | 181.24 | 0.98 | 174.93 | 187.55 | 12.61 | NORMAL |
| SDY | S&P Dividend | 138.29 | 2.23% | 4.05% | 0.87% | -7.09% | -5.96% | 135.20 | 2.28% | 136.68 | 1.88% | Bearish | 134.54 | 0.78 | 130.13 | 138.95 | 8.83 | NORMAL |
| Minor Markets | | | | | | | | | | | | | | | | | | |
| EEM | Emerging Markets | 43.21 | -2.80% | 2.41% | 0.80% | -4.77% | -9.10% | 43.03 | 0.42% | 43.56 | -0.80% | Bearish | 42.72 | 0.98 | 41.23 | 44.21 | 2.97 | NORMAL |
| EFA | EAFE | 81.58 | 1.02% | 4.21% | 4.13% | -5.60% | -11.25% | 78.56 | 3.85% | 79.67 | 2.40% | Bearish | 79.24 | 1.07 | 76.41 | 82.07 | 5.66 | NORMAL |
| MDY | S&P MidCap 400 | 565.80 | 0.84% | -2.95% | -4.81% | -3.79% | -9.41% | 584.89 | -3.26% | 572.27 | -1.13% | Bullish | 590.68 | 1.05 | 569.71 | 611.65 | 41.94 | LOW |
| SPSM | S&P 600 Small Cap | 43.63 | -0.08% | -4.38% | -7.67% | -7.55% | -11.99% | 45.96 | -5.07% | 45.30 | -3.70% | Bullish | 46.24 | 1.04 | 44.60 | 47.88 | 3.27 | LOW |
| All Markets | | | | | | | | | | | | | | | | | | |
| GDV | Gold Miners | 39.72 | -1.68% | 3.21% | 10.13% | -6.58% | 29.49% | 37.66 | 5.48% | 38.24 | 3.86% | Bearish | 38.96 | 0.95 | 37.62 | 40.30 | 2.69 | NORMAL |
| IAU | Gold Trust | 53.87 | -1.78% | 3.15% | 10.69% | 4.73% | 20.88% | 51.66 | 4.28% | 49.69 | 8.41% | Bullish | 52.87 | 0.16 | 51.46 | 54.28 | 2.81 | NORMAL |
| UUP | US Dollar Index Bullish | 29.39 | 2.03% | 0.85% | 0.45% | -1.37% | -11.03% | 29.61 | -0.75% | 29.12 | 0.93% | Bullish | 29.51 | -15.20 | 33.26 | 25.76 | -7.50 | NORMAL |
| Fixed Income | | | | | | | | | | | | | | | | | | |
| BNDX | Total International Bond Index | 49.50 | 1.58% | 1.93% | 0.06% | -7.21% | -14.24% | 49.44 | 0.12% | 49.65 | -0.31% | Bearish | 49.17 | 0.73 | 47.58 | 50.76 | 3.18 | NORMAL |
| BOND | PIMCO Active Bond | 92.90 | 2.24% | 3.38% | 2.25% | -7.82% | -13.96% | 91.22 | 1.85% | 92.27 | 0.68% | Bearish | 90.97 | 1.01 | 87.78 | 94.16 | 6.39 | NORMAL |
| HYG | High Yield Corporate Bond | 80.13 | 1.57% | 1.77% | 2.55% | -5.03% | -12.02% | 79.41 | 0.90% | 79.19 | 1.19% | Bullish | 79.72 | 0.94 | 76.98 | 82.46 | 5.48 | NORMAL |
| TLT | 20+ Year Treasury Bond | 92.43 | 4.11% | 6.58% | 0.18% | -13.61% | -18.00% | 89.24 | 3.58% | 92.72 | -0.31% | Bearish | 87.76 | 2.12 | 83.71 | 91.81 | 8.11 | HIGH |

With the market oversold and sentiment negative, reducing equity exposure at current levels is likely not advisable. However, if the market rallies as expected, investors will increasingly need to begin a more rigorous process of rebalancing risks, increasing cash levels, and hedging portfolios. This will likely be a slow process over the next few months, but risks have become more apparent.



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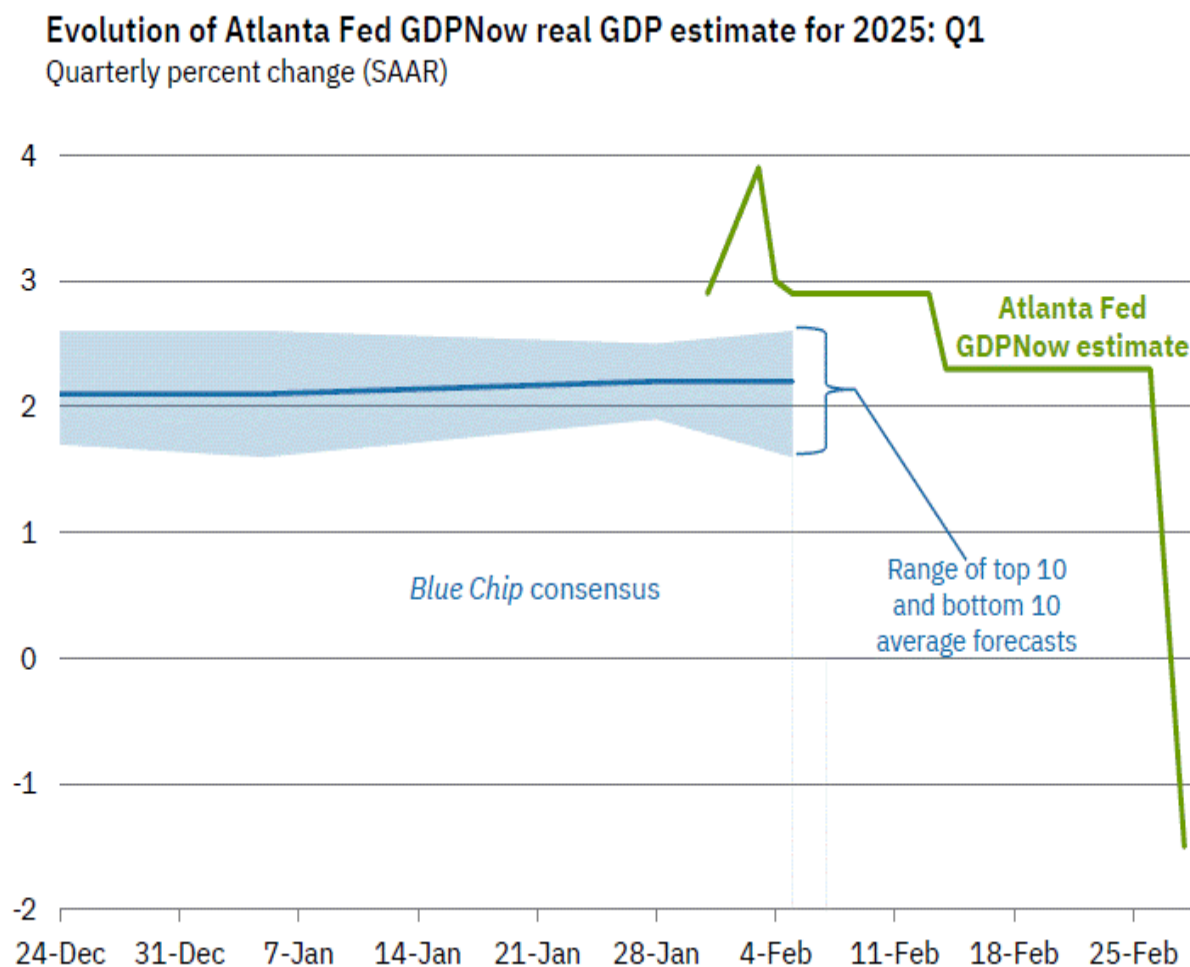
Is The Shocking Trade Deficit An Employment Omen?

Monday's [Commentary](#) led to the shocking decline in the nation's trade deficit. As we wrote:

*The steep decline, mainly due to tariffs, will likely normalize over the coming months. The import demand will be less than typical as inventories for specific products are now bloated for those frontrunning the tariffs. However, the trade deficit data will negatively impact GDP. The formula for GDP includes exports minus imports. **The Atlanta Fed GDP Now estimate for first quarter GDP fell sharply from 2.3% on February 19 to -1.5% on Friday, after the trade deficit report.***

Corporations significantly increased their purchases of imports to stockpile goods before tariffs could impact their price. We are concerned that the trade deficit will not be the only economic data skewed by Trump's policies. Employment comes to mind, for instance. Might those companies with close links to the government enact hiring freezes? Will manufacturers of alternative energy products, for example, reduce their investments and lay off some employees? There are many instances in which companies will become more conservative about hiring. Moreover, some companies will be forced to let employees go if they think their revenue will suffer due to the policies. We may find out as early as this week if the labor market is at risk.

The graph below shows the trade deficit's profound impact on the Atlanta Fed Q1 GDPNow forecast.



Value Stocks Continue To Lead

As the first table from [SimpleVisor](#) shows, value stocks continue to lead the way. Moreover, larger-cap value stocks are outperforming small and mid-cap value stocks. The second table shows that financials, consumer staples, healthcare, and real estate are the most overbought sectors versus the S&P 500. Technology, representing growth stocks and the most significant contributor to the S&P 500, is the most oversold sector, alongside transportation stocks.

The third table further confirms our findings. Note that low beta, high dividend yield, and value are among the most overbought. Conversely, high beta, mega, small, and mid-cap growth are among the most oversold. In our opinion, investors are not reducing exposure due to recent volatility. Instead, it appears they are chasing large companies with less volatility and shunning growth that tends to be more volatile.

Market Summary

1D **WTD** MTD QTD YTD 1Y 2Y

| | VALUE | CORE | GROWTH |
|-------|-------|--------|--------|
| LARGE | 0.41% | -0.97% | -2.19% |
| MID | 0.17% | -0.12% | -0.46% |
| SMALL | 0.05% | -1.04% | -2.08% |



Sectors

Factors

Sectors Analysis - Absolute and Relative Score (vs SPY)

| Symbol Name | Top 10 Holdings | Absolute Score ↑↓ | Relative Score (vs SPY) ↓ | Chart <input type="checkbox"/> |
|-----------------------------------|-----------------|--------------------------------|--|--------------------------------|
| XLF Financial | | 0.38 ↻ | 0.74 ↻ | <input type="checkbox"/> |
| XLP Consumer Staples | | 0.40 ↻ | 0.55 ↻ | <input type="checkbox"/> |
| XLV Health Care | | 0.41 ↻ | 0.55 ↻ | <input type="checkbox"/> |
| XLRE Real Estate | | 0.39 ↻ | 0.54 ↻ | <input type="checkbox"/> |
| XLC Communication Services | | 0.13 ↻ | 0.36 ↻ | <input type="checkbox"/> |
| XLU Utilities | | 0.16 ↻ | 0.29 ↻ | <input type="checkbox"/> |
| XLB Materials | | -0.03 ↻ | 0.24 ↻ | <input type="checkbox"/> |
| XLE Energy | | -0.01 ↻ | 0.22 ↻ | <input type="checkbox"/> |
| XLI Industrials | | 0.02 ↻ | 0.16 ↻ | <input type="checkbox"/> |
| SPY | | -0.01 ↻ | 0.00 ↻ | <input type="checkbox"/> |
| XLY Consumer Discretionary | | -0.43 ↻ | -0.47 ↻ | <input type="checkbox"/> |
| XLK Technology | | -0.35 ↻ | -0.50 ↻ | <input type="checkbox"/> |
| XTN Transportation | | -0.54 ↻ | -0.50 ↻ | <input type="checkbox"/> |

How it works





Sectors **Factors**

Factors Analysis - Absolute and Relative Score (vs SPY)

| Symbol Name | Top 10 Holdings | Absolute Score ↑↓ | Relative Score (vs SPY) ↓↕ |
|--|-----------------|-------------------|----------------------------|
| SPLV Low Beta [Low Vol.] | | 0.70 ↕ | 0.57 ↕ |
| VYM High Dividend Yield | | 0.24 ↕ | 0.42 ↕ |
| EFA EAFE | | 0.13 ↕ | 0.40 ↕ |
| IVE S&P 500 Value | | 0.11 ↕ | 0.36 ↕ |
| RSP Equal Weight S&P 500 | | 0.08 ↕ | 0.30 ↕ |
| VEA Developed Markets | | 0.10 ↕ | 0.30 ↕ |
| MTUM Momentum | | 0.07 ↕ | 0.20 ↕ |
| EEM Emerging Markets | | -0.10 ↕ | 0.12 ↕ |
| GDX Gold Miners | | 0.23 ↕ | 0.12 ↕ |
| SPY | | -0.01 ↕ | 0.00 ↕ |
| PKW Buyback Achievers | | 0.05 ↕ | -0.08 ↕ |
| VFQY Vanguard U.S. Quality Factor | | -0.05 ↕ | -0.19 ↕ |
| MDYV Mid Cap Value | | -0.06 ↕ | -0.20 ↕ |
| VBR Small Cap Value | | -0.07 ↕ | -0.20 ↕ |
| ARKK Disruptive Tech | | -0.28 ↕ | -0.31 ↕ |
| IVW S&P 500 Growth | | -0.24 ↕ | -0.35 ↕ |
| MGK Mega Cap Growth | | -0.21 ↕ | -0.40 ↕ |
| MDY Mid Cap 400 | | -0.32 ↕ | -0.43 ↕ |
| VBK Small Cap Growth | | -0.49 ↕ | -0.57 ↕ |
| IWM Small Caps | | -0.49 ↕ | -0.60 ↕ |
| MDYG Mid Cap Growth | | -0.49 ↕ | -0.64 ↕ |
| SPHB High Beta | | -0.35 ↕ | -0.80 ↕ |

Tweet of the Day



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Gold futures up more than \$40/oz this morning as the US dollar gets whacked following announcement of US strategic crypto reserve.



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