

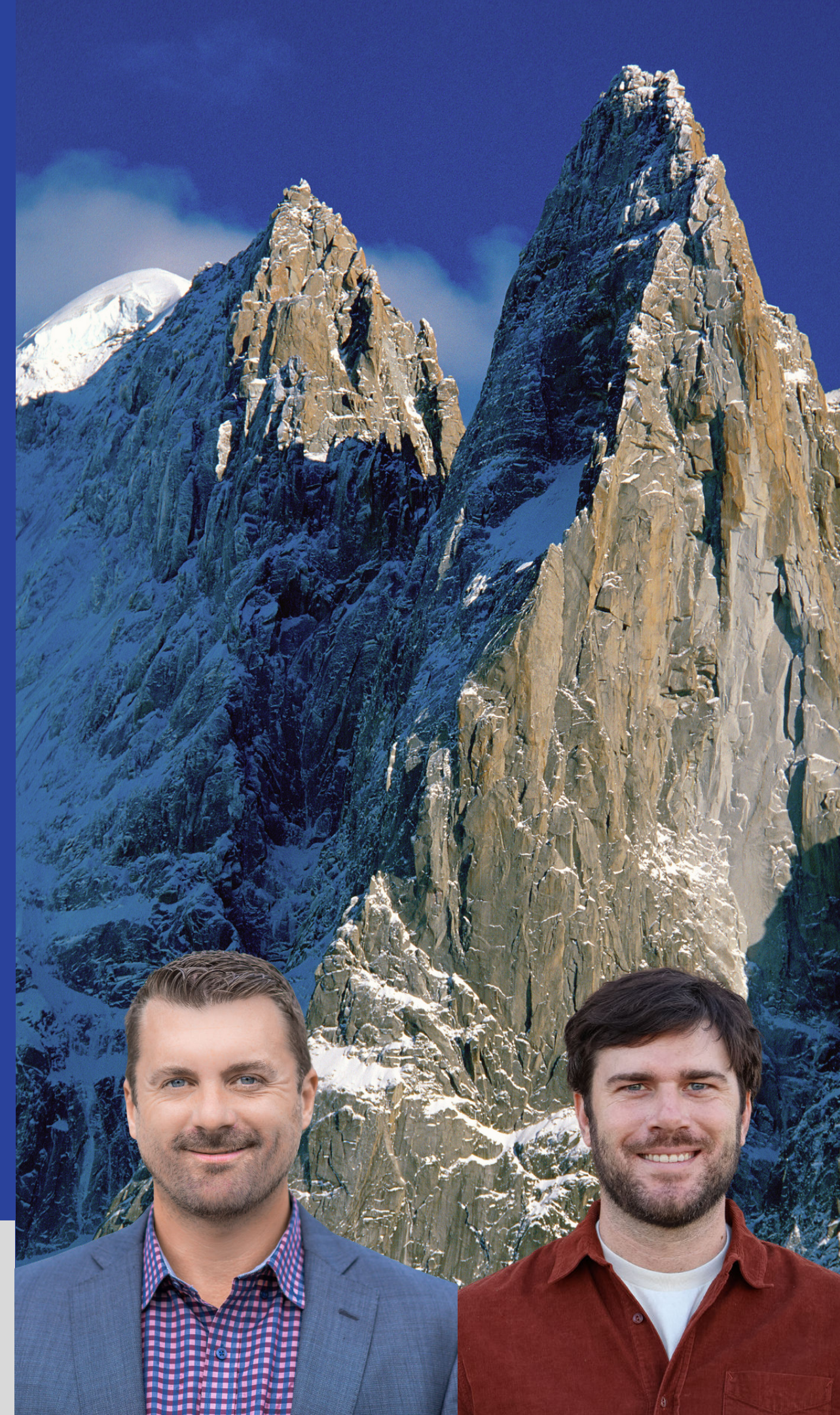
# MARKET AND PORTFOLIO UPDATE

Jan 12th, 2024

[www.EdgeCapital.com](http://www.EdgeCapital.com)



As seen on **By Todd Gordon & Kyle Wasson**  
Founder,  
Chief Investment Officer





# DISCLOSURES

Inside Edge Capital, LLC is a registered investment adviser located in Saratoga Springs, NY

Inside Edge Capital & its representatives are in compliance with the current registration & notice filing requirements imposed upon registered investment advisers by those states in which Inside Edge Capital maintains clients. Inside Edge Capital may only transact business in those states in which it is registered or qualifies for an exemption or exclusion from registration requirements. The information in this presentation should not be construed, in any manner whatsoever, as a substitute for personalized individual advice from Inside Edge Capital.

Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Information presented is also dated material and may be out of date or obsolete after the date of publication. Investment model performance is dependent on the time period selected and may not fully reflect actual model performance based on trade timing and other factors. This report is not intended to predict or show any actual account performance. Investments involve risk and unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein.

Past performance is not indicative of future performance. Therefore, no current or prospective client should assume that future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by Inside Edge Capital), or product referenced directly or indirectly in this report, will be profitable. Different types of investments involve varying degrees of risk, & there can be no assurance that any specific investment or investment strategy will be suitable for a client's or prospective client's investment portfolio.

The information within this report was researched by Inside Edge Capital with the tools available to the Inside Edge Capital from DTN IQ, Optuma, YCharts, CNBC, TD Ameritrade, Schwab.

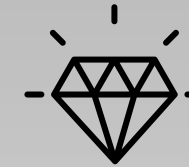
Various indexes were chosen that are generally recognized as indicators or representation of the stock market in general. Indices are typically not available for direct investment, are unmanaged and do not include fees or expenses. Some indices may also not reflect reinvestment of dividends.

# THE STARTING GATE



## BROADENING MARKET RALLY

- Small cap continuing to increase



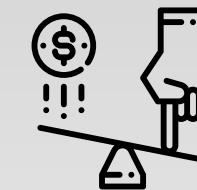
## MEGA CAP STILL APPRECIATING/NVDA

- Will the Big 7 stocks continue to motor?



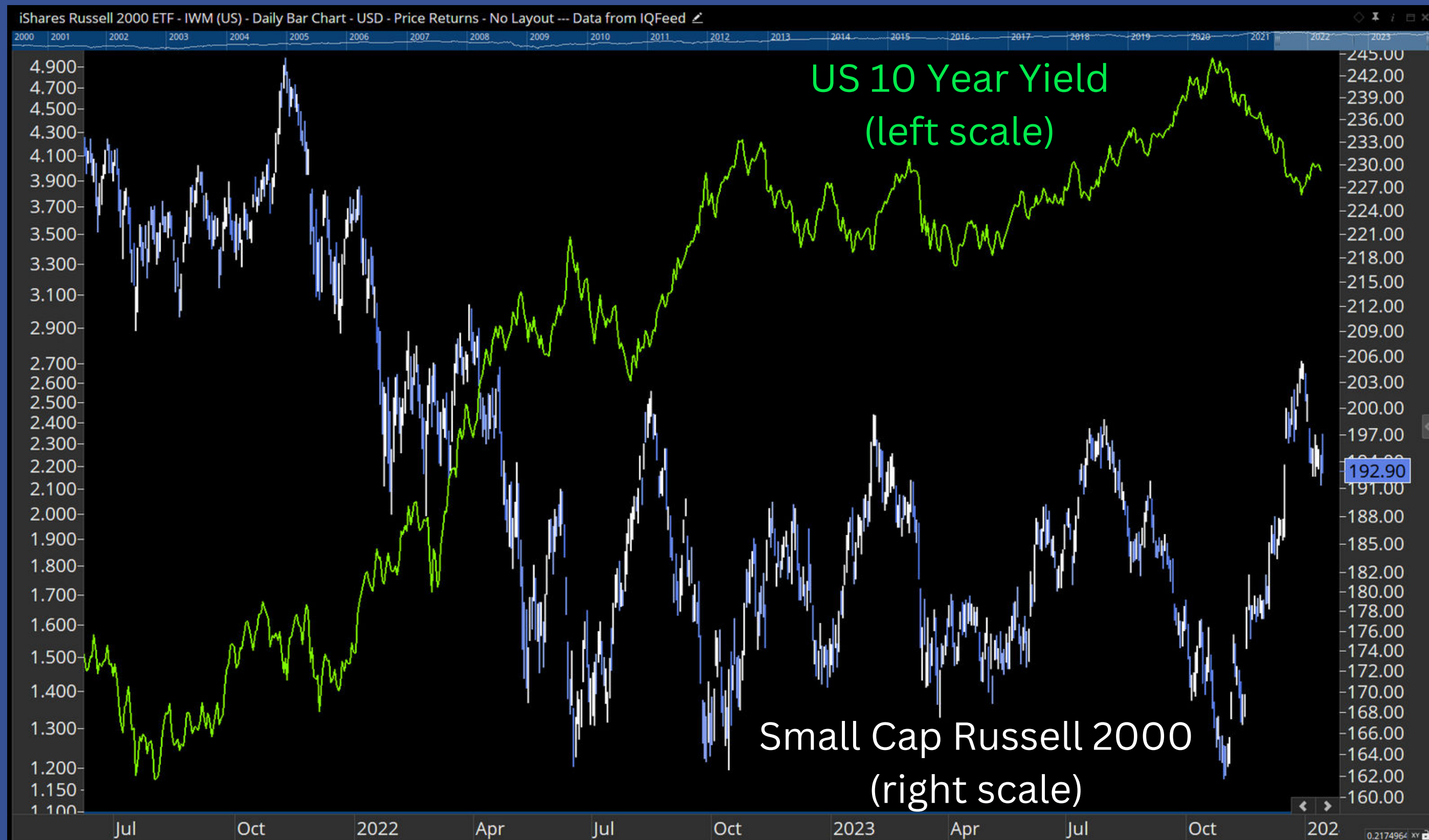
## FED POLICY AND THE ECONOMY

- How will Fed policy affect capital markets in 2024?



## CORRECTION COMING IN H1 '24?

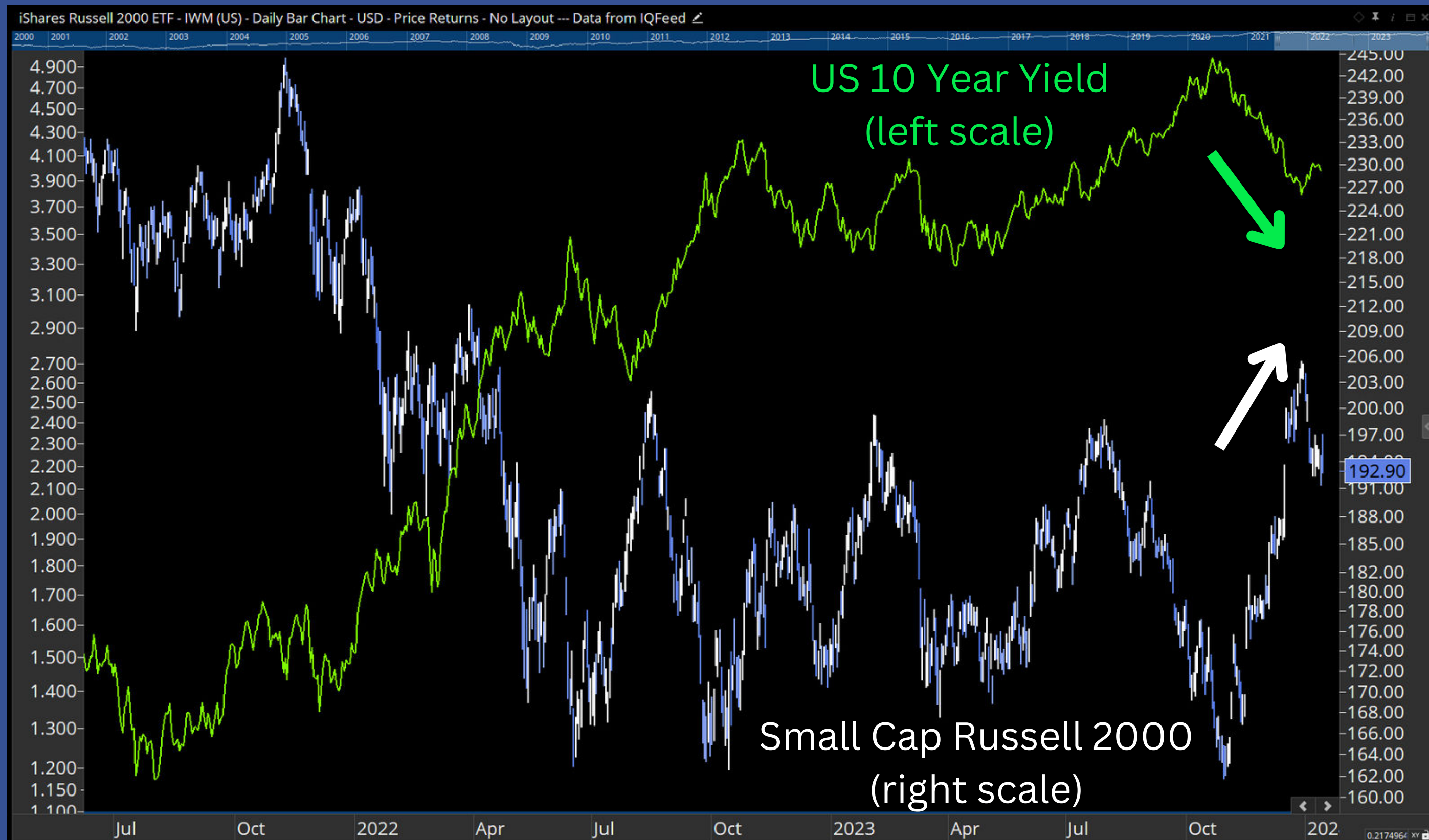
- How we plan to handle a 'possible' correction in 2024



- 2023 was a year of uncertainty for many, creating an unfamiliar landscape for investors.
- We believe the economic pressures of inflation and high interest rates pushed investors away from the less sound fundamental companies that were challenged to access funding (small caps) and towards large cap growth stocks Mag 7 stocks.

# SMALL CAPS CHALLENGED IN INCREASING INTEREST RATE ENVIRONMENT

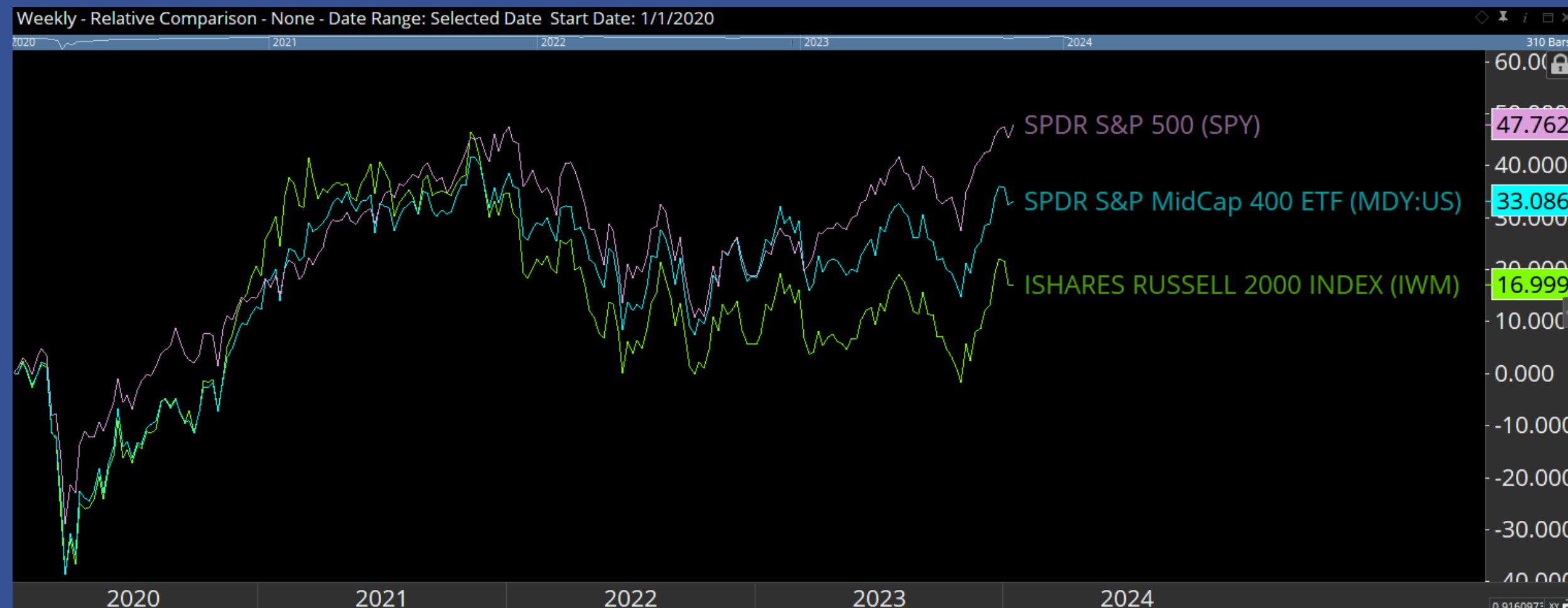




- Starting in 'Q4 2023 rates started to drop giving the small cap Russell 2000 a boost

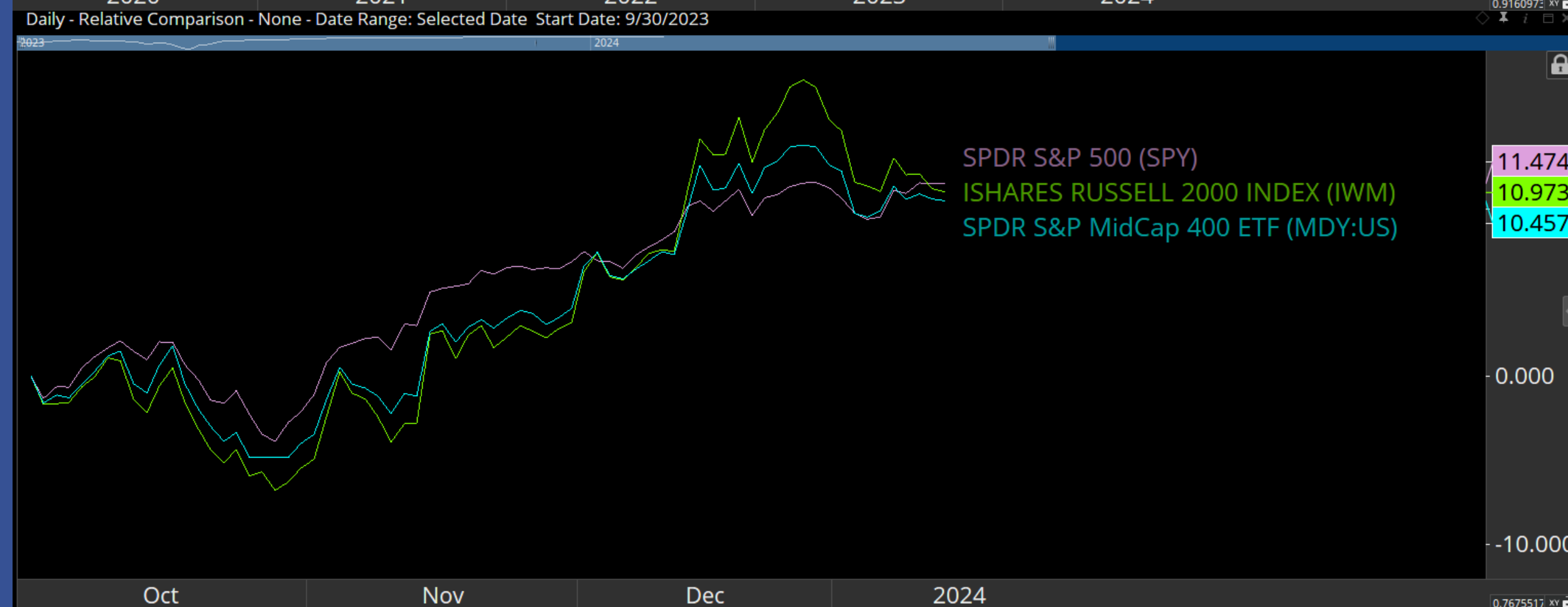
# SMALL CAPS CHALLENGED IN INCREASING INTEREST RATE ENVIRONMENT





## 4-YEAR RETURNS

- SPY - Large Cap + 47.76%
- MDY - Mid Cap +33.08%
- IWM - Small Cap +16.99%



## RETURNS Q4 '23 - NOW

- SPY - Large Cap +11.48%
- IWM - Small Cap +10.97%
- MDY - Mid Cap +10.46%

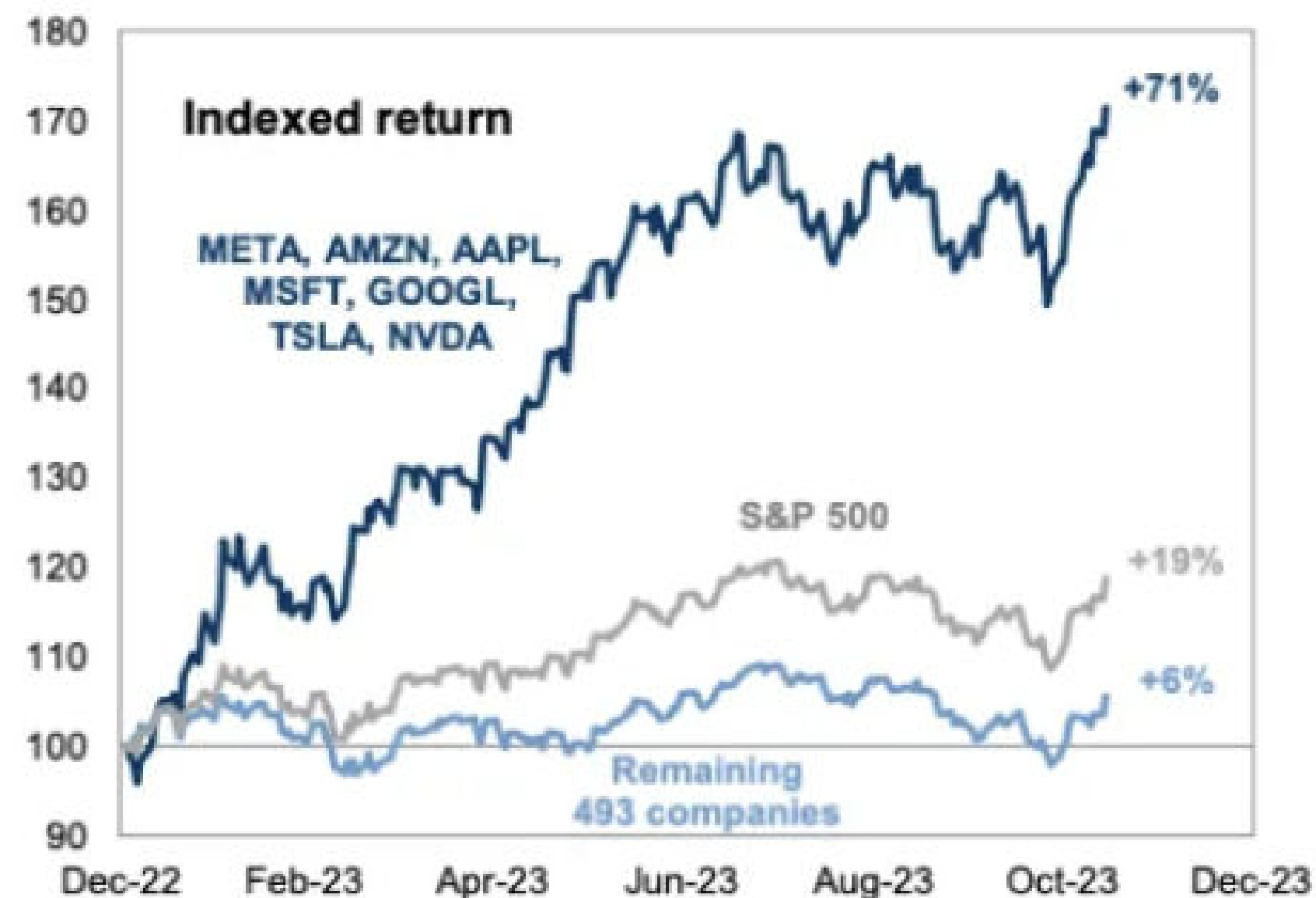


**Exhibit 22: Share of largest seven companies' market cap in S&P 500 is at an all-time high**



Source: Compustat, Goldman Sachs Global Investment Research

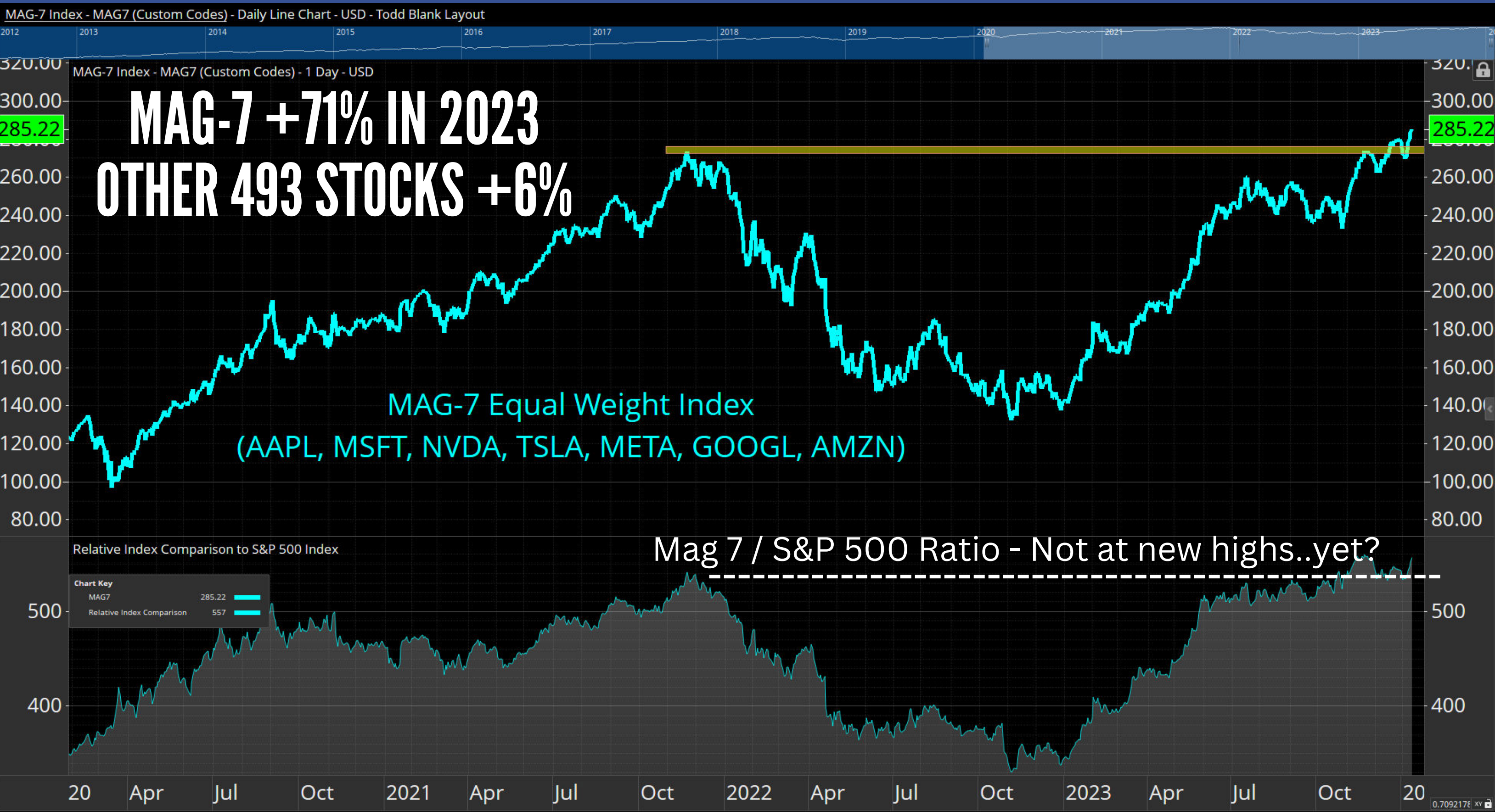
**Exhibit 23: The Magnificent 7 have led the index higher in 2023**



Source: FactSet, Goldman Sachs Global Investment Research

**WILL 7 MEGA CAPS CONTINUE TO OUTPERFORM?**





**WILL 7 MEGA CAPS CONTINUE TO OUTPERFORM?**







CNBC

Search quotes, news & videos

WATCHLIST

MARKETS BUSINESS INVESTING TECH POLITICS CNBC TV INVESTING CLUB PRO

PRO

## This stalled tech juggernaut is starting to break out again, according to the charts

PUBLISHED TUE, JAN 9 2024 12:30 PM EST | UPDATED TUE, JAN 9 2024 12:32 PM EST

Todd Gordon @TODDGORDONTA

SHARE f t in






Many say we're moving into the 'exponential age', which is characterized by increased computing power, efficiencies, and automation that spans sectors well beyond just technology. If we're truly headed in this direction, the increased computing power will change the way we interact socially, professionally, and provide a real boost to our economy. This will increase corporate productivity and profit margins for companies, while acting as a deflationary force on our economy. That comes at a pretty opportune time as we're combatting a four-decade spike in inflation following the pandemic and unwind of QE.

We hold NVDA in both the Tactical Alpha Growth (8% holding) and in Strategic Income and Growth (3%)

# WILL 7 MEGA CAPS CONTINUE TO OUTPERFORM?



# The December CPI Reading Was Released Thursday Jan 11th, 2024

Time	Cur.	Imp.	Event	Actual	Forecast	Previous
Thursday, January 11, 2024						
08:30	 USD	★ ★ ☆	Continuing Jobless Claims	1,834K	1,871K	1,868K
08:30	 USD	★ ★ ★	Core CPI (MoM) (Dec)	0.3%	0.3%	0.3%
08:30	 USD	★ ★ ☆	Core CPI (YoY) (Dec)	3.9%	3.8%	4.0%
08:30	 USD	★ ★ ★	CPI (MoM) (Dec)	0.3%	0.2%	0.1%
08:30	 USD	★ ★ ★	CPI (YoY) (Dec)	3.4%	3.2%	3.1%

CME FEDWATCH TOOL - MEETING PROBABILITIES										
MEETING DATE	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
1/31/2024					0.0%	0.0%	0.0%	0.0%	4.7%	95.3%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.3%	68.1%	28.6%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.1%	65.0%	30.5%	1.4%
6/12/2024	0.0%	0.0%	0.0%	0.0%	0.3%	8.4%	62.0%	28.0%	1.3%	0.0%
7/31/2024	0.0%	0.0%	0.0%	0.3%	8.3%	61.1%	28.6%	1.7%	0.0%	0.0%
9/18/2024	0.0%	0.0%	0.3%	8.0%	58.9%	29.9%	2.8%	0.1%	0.0%	0.0%
11/7/2024	0.0%	0.2%	5.4%	42.0%	39.6%	11.8%	1.0%	0.0%	0.0%	0.0%
12/18/2024	0.1%	4.4%	34.8%	40.0%	17.3%	3.1%	0.2%	0.0%	0.0%	0.0%

CME FEDWATCH TOOL - TOTAL PROBABILITIES				
MEETING DATE	DAYS TO MEETING	EASE	NO CHANGE	HIKE
1/31/2024	19	4.65 %	95.35 %	0.00 %
3/20/2024	68	71.40 %	28.61 %	0.00 %
5/1/2024	110	98.63 %	1.37 %	0.00 %
6/12/2024	152	100.00 %	0.00 %	0.00 %
7/31/2024	201	100.00 %	0.00 %	0.00 %
9/18/2024	250	100.00 %	0.00 %	0.00 %
11/7/2024	300	100.00 %	0.00 %	0.00 %
12/18/2024	341	100.00 %	0.00 %	0.00 %

## THE DECEMBER CPI READING AND FED FUNDS OUTLOOK





# The 'January Effect'

10

- “As goes January, so goes the year”
- January effect - *“Every negative Jan preceded an extended correction, flat market, or a 10% without exception since 1950”* - Stock Trader's Almanac
- *First 5 days of the year that was positive; 47 times, saw full-year gains 39 for 83% accuracy with average gains of 14.0%* - Stock Trader's Almanac

**THE JANUARY EFFECT**



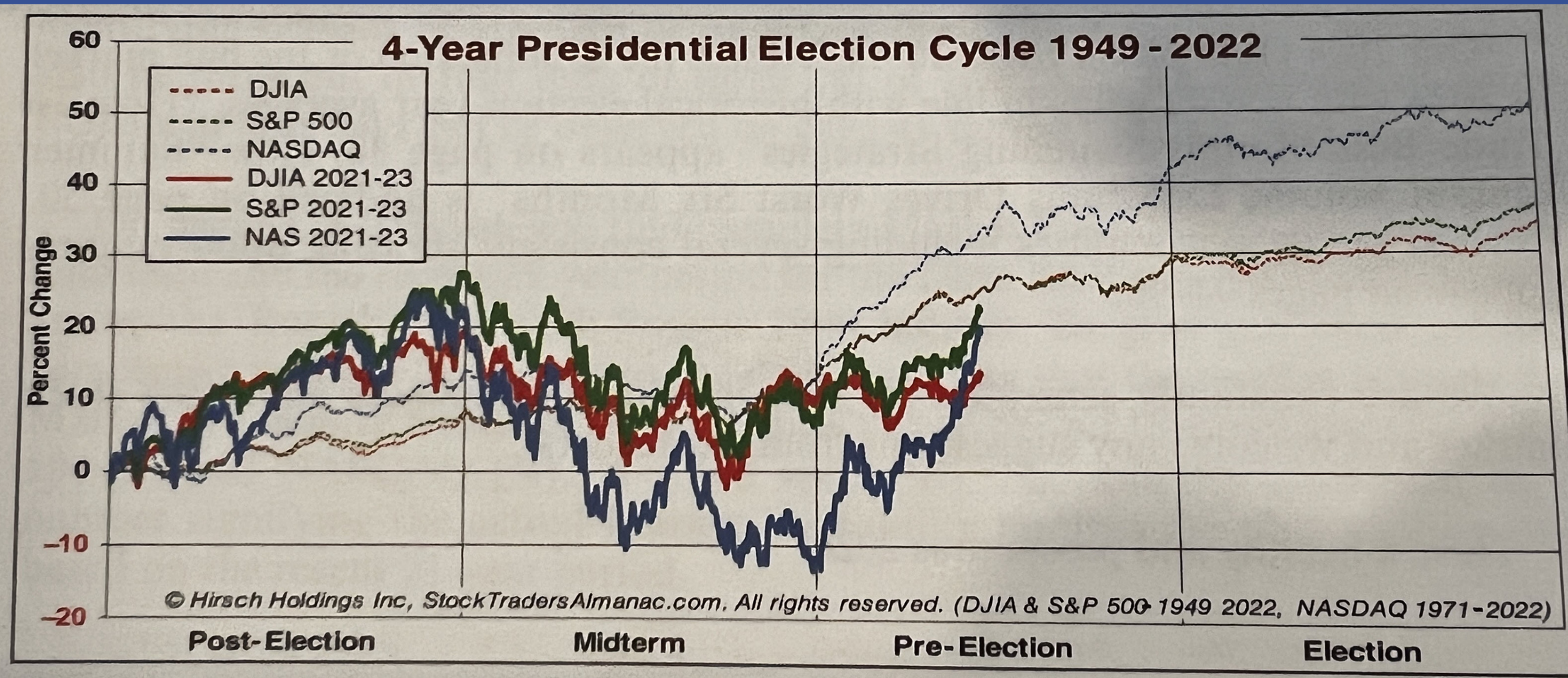
# The 'January Effect'

10



## THE JANUARY EFFECT

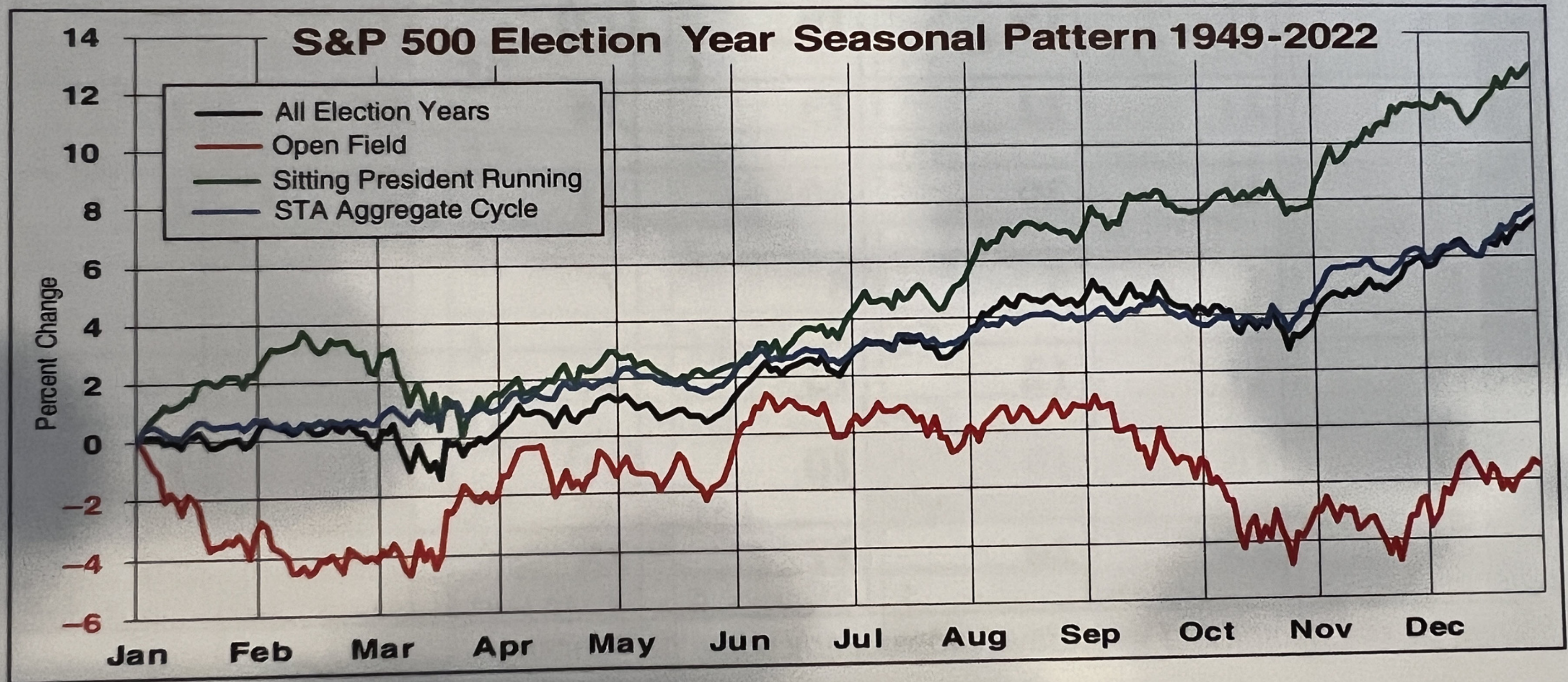




\*Jeff Hirsch -Stock Trader's Almanac

## 4-YEAR PRESIDENTIAL ELECTION CYCLE - 1949-2022

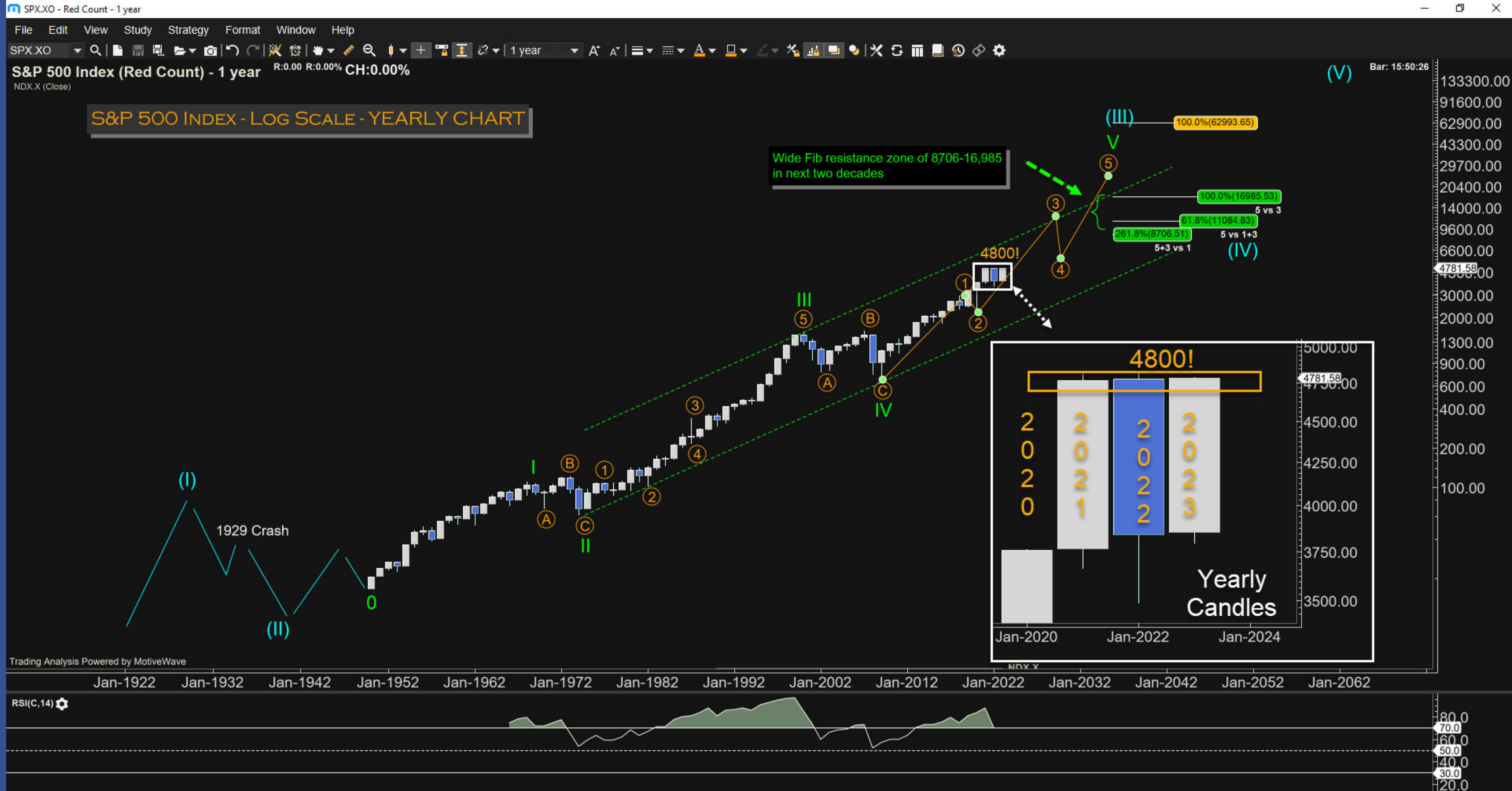




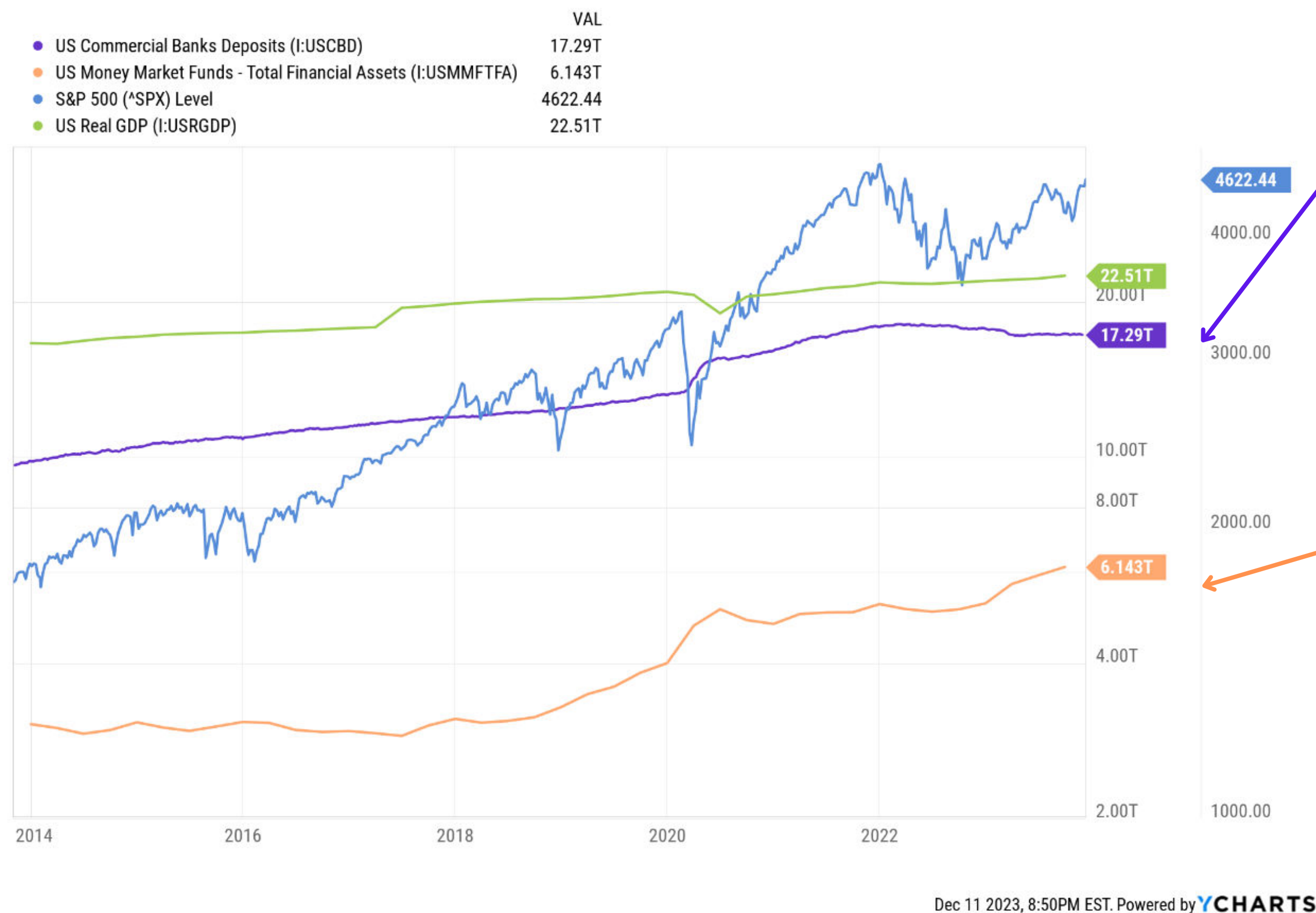
\*Jeff Hirsch -Stock Trader's Almanac

**4-YEAR PRESIDENTIAL ELECTION CYCLE**  
**SITTING PRESIDENT - 1949-2022**





# S&P 500 - YEARLY CHART - 4800 IS KEY RESISTANCE!

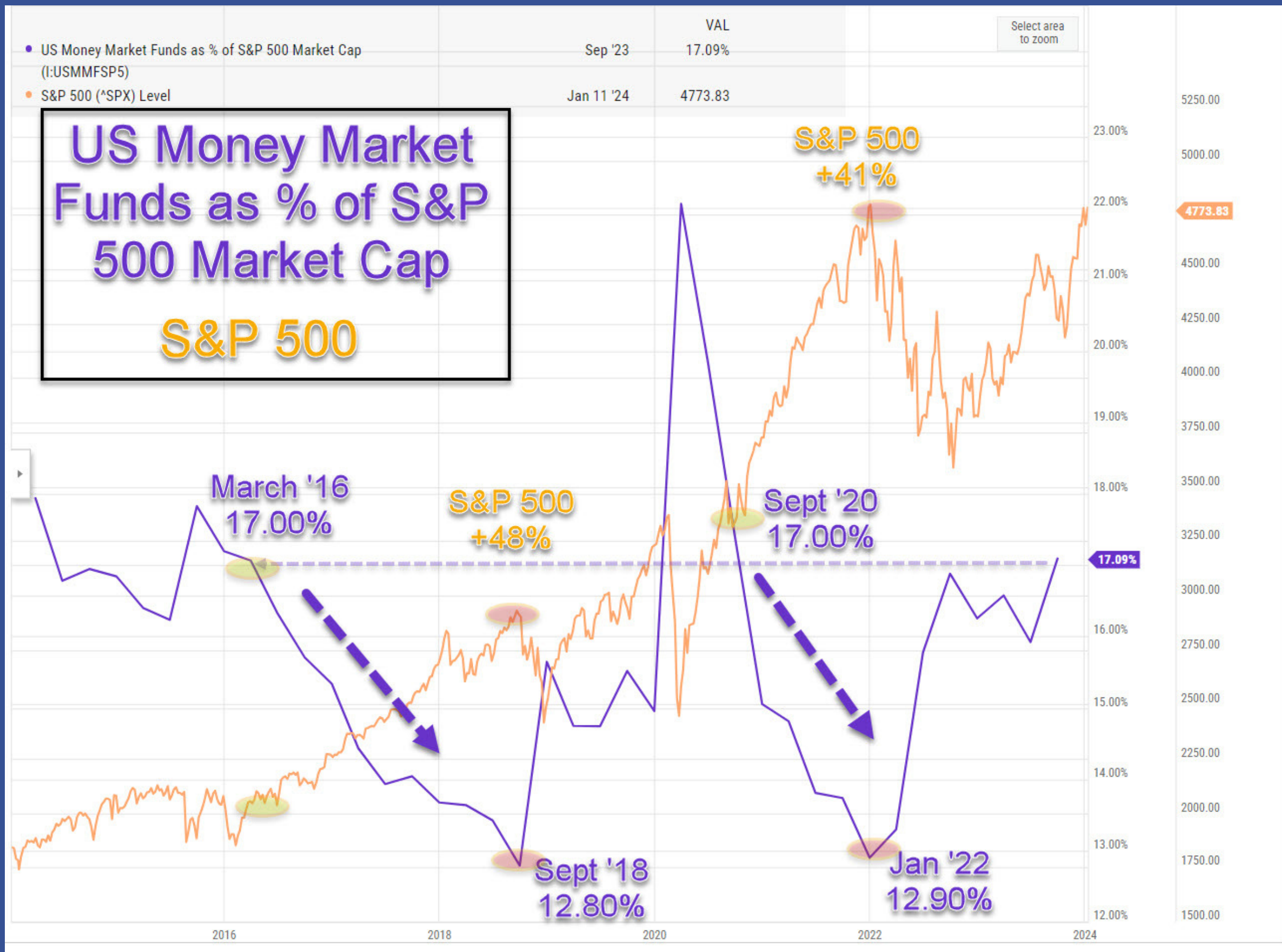


*US commercial bank deposits DOWN from \$17.34T to \$17.29T*

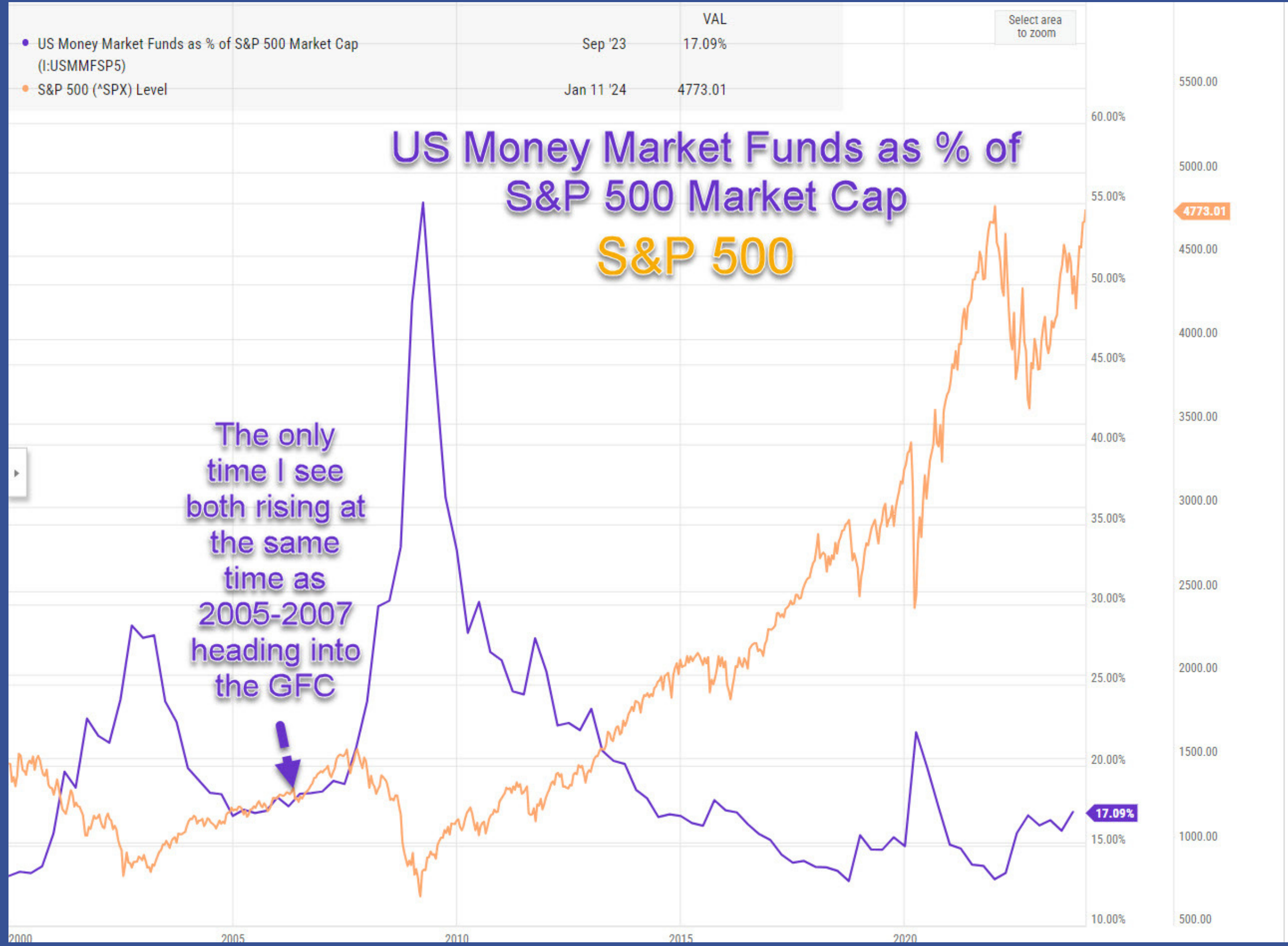
*New Q3 '23 money market funds figures in! From \$5.917T to \$6.143T! What will Q4 figures show, money in or out?*

## CASH ON THE SIDELINES - US MONEY MARKET FUNDS - Q3 FIGURES





# US MONEY MARKET FUNDS AS % OF S&P 500 MARKET CAPITALIZATION



# US MONEY MARKET FUNDS AS % OF S&P 500 MARKET CAPITALIZATION SINCE 2000





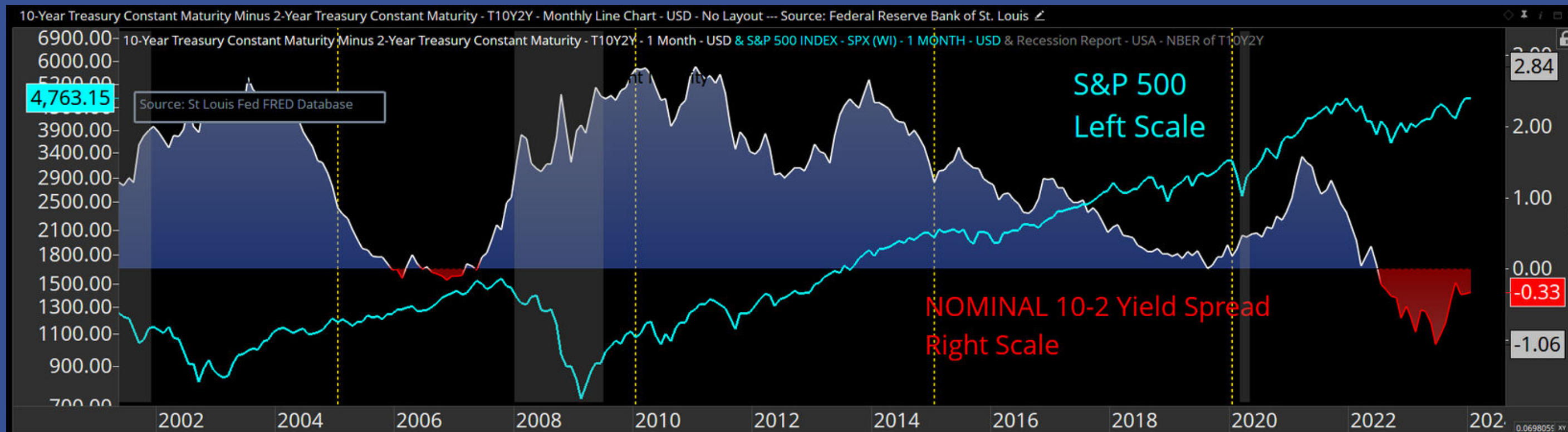
# WILL MONEY STAY PARKED IN MONEY MARKETS WITH FALLING REAL YIELDS?





## 65-YEARS OF INFLATION (YEAR-OVER-YEAR CHANGE CPI)





The 'real' yield  
curve went  
positive

**RECESSION WITH YIELD CURVE INVERSION?**





WILL THERE BE  
MARKET  
CORRECTION IN  
2024!? IF SO,  
HERE'S THE PLAN!





# THANK YOU!

[info@insideedgecapital.com](mailto:info@insideedgecapital.com)

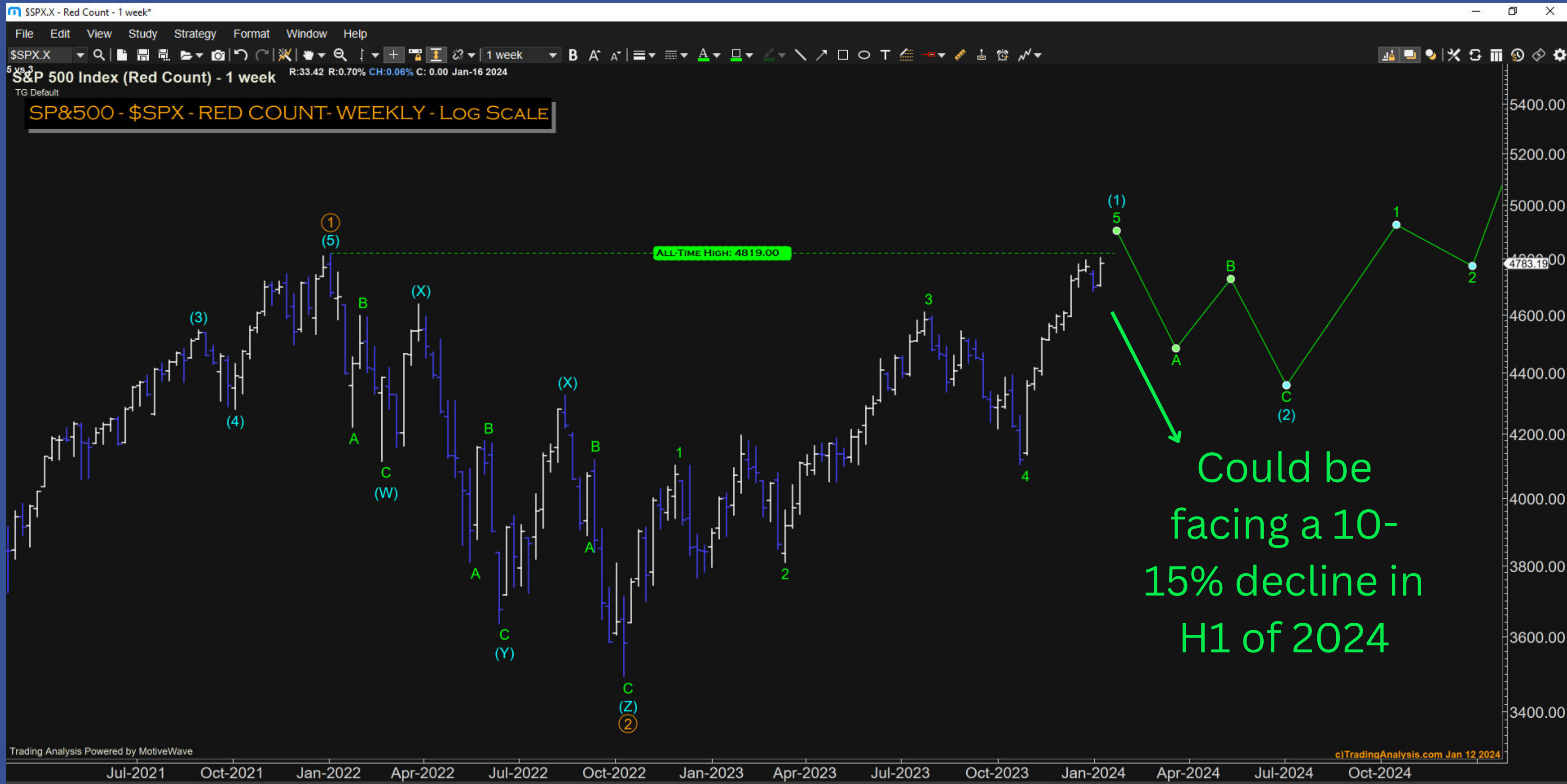


Todd Gordon



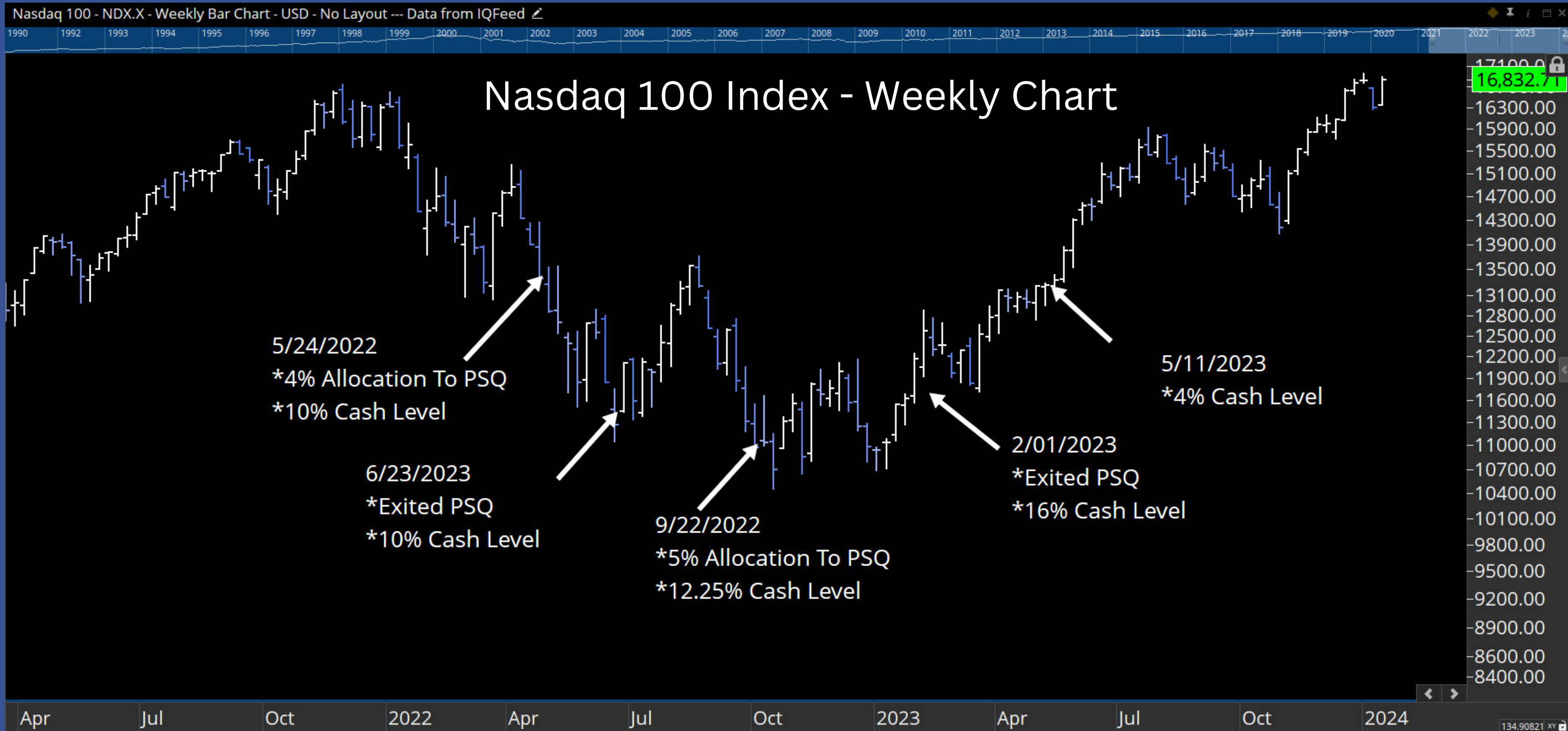
Kyle Wasson





# TECHNICAL OUTLOOK FOR THE S&P 500 IN 2024 - HOW WE'RE PREPARING

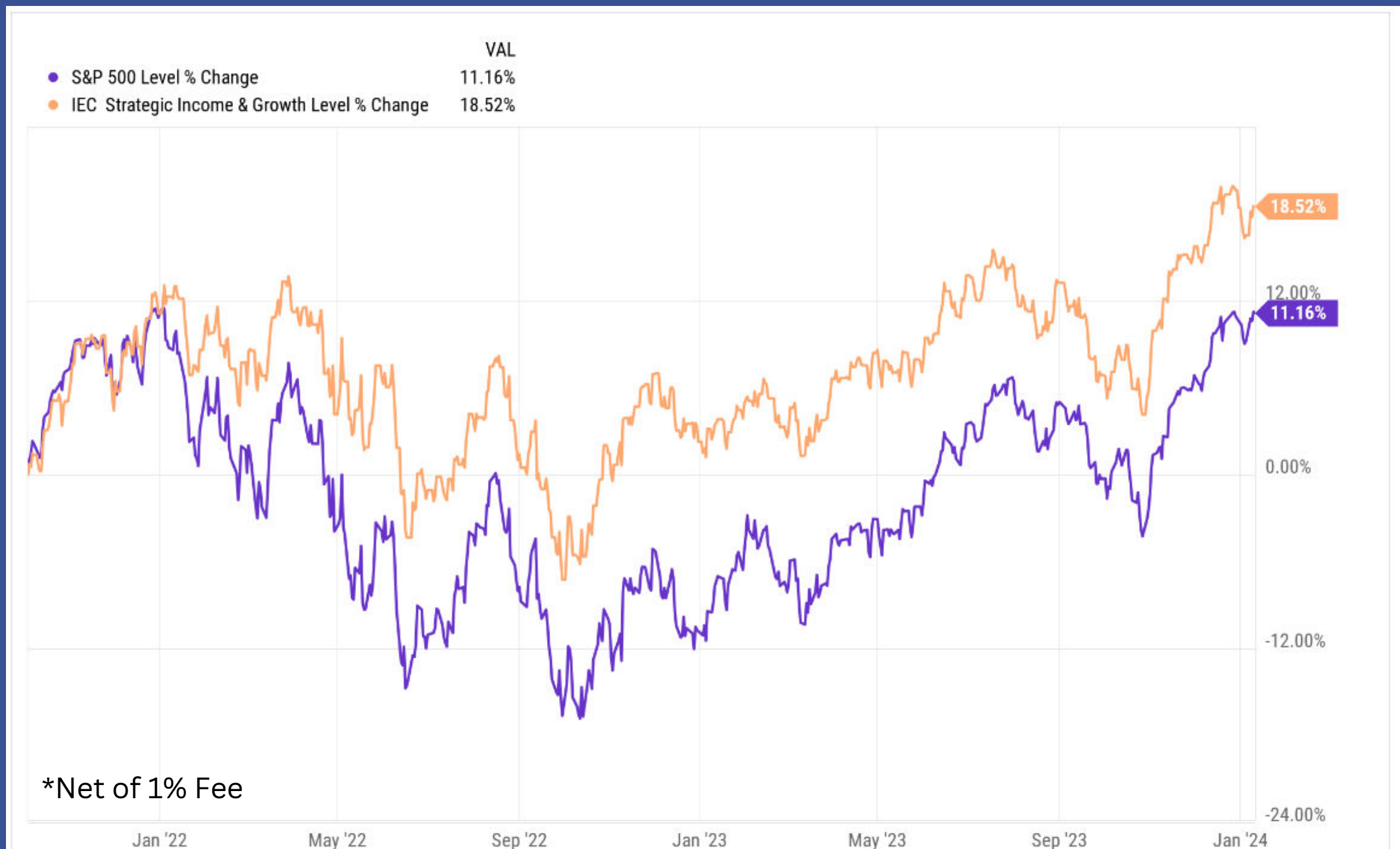




## IEC TACTICAL ALPHA GROWTH - HEDGES AND CASH LEVELS IN 2022 AND 2023



# IEC STRATEGIC INCOME AND GROWTH MODEL - INCEPTION TO DATE



- IEC's Income and Growth model is our low-beta, 100% stock model
- Trades with less potential volatility than the S&P 500 (based on history)
- More relatively stable, dividend paying, cash cow stocks than a growth-oriented stock model
- Has outperformed the S&P 500 since inception by 7.36% (18.52% vs 11.16%), through limiting downside.



# IEC STRATEGIC INCOME AND GROWTH MODEL - 2022



- In 2022's market correction, the model outperformed the S&P 500 by 11.48%.
- IEC's Income and Growth model in 2022 used a combination of higher cash levels and inverse ETFs in Q4 to minimize the downside.



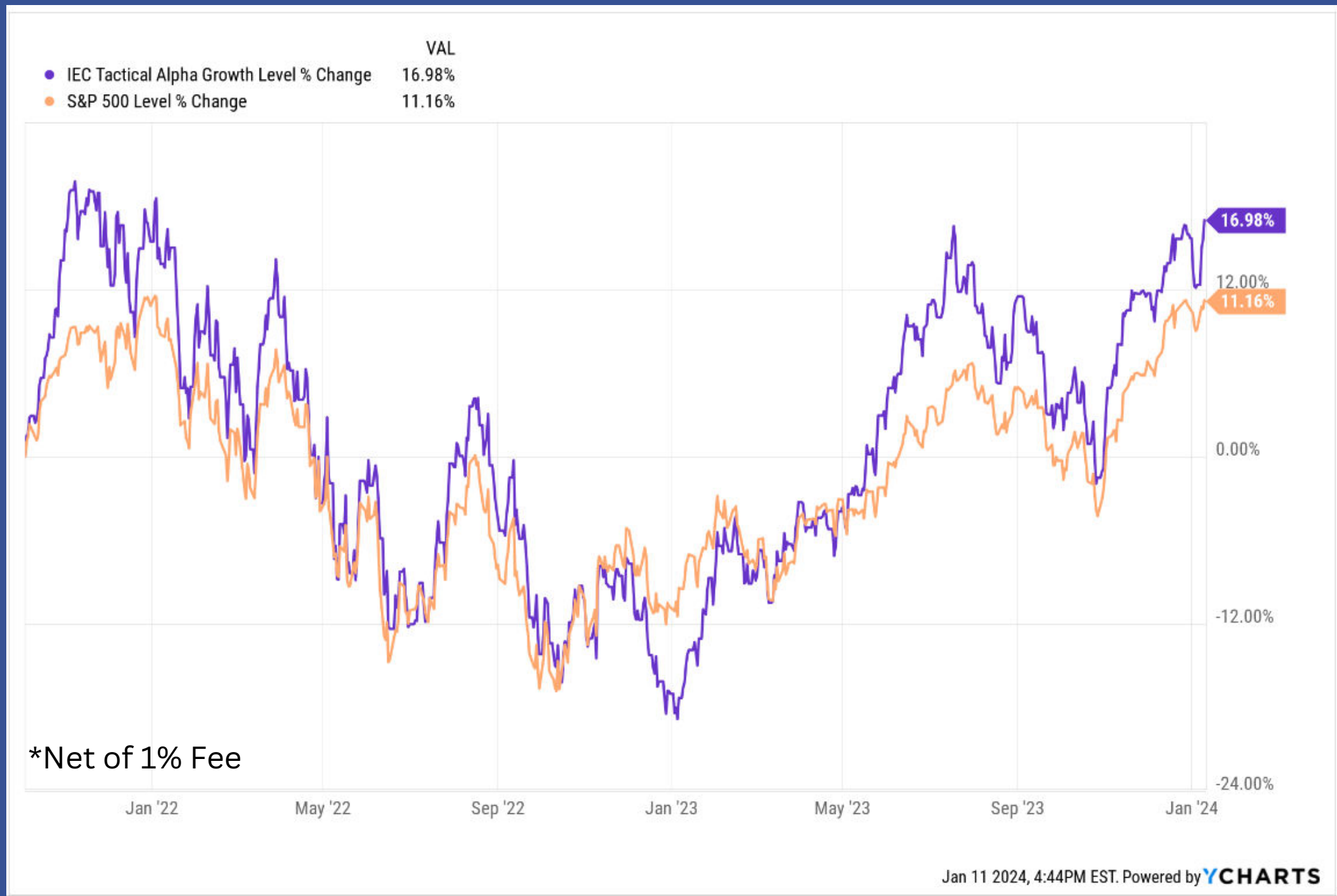
# IEC STRATEGIC INCOME AND GROWTH MODEL - 2023



- In 2023's this model underperformed the S&P 500 by 8.44% as the key drivers were mega-cap growth stocks



# IEC TACTICAL ALPHA GROWTH MODEL - INCEPTION TO DATE



- IEC's Tactical Alpha Growth model is our high-beta, 100% stock model
- This model trades with higher potential volatility than the S&P 500 (based on history)
- More growth oriented stocks than a low-beta dividend model
- This model has outperformed the S&P 500 since its inception by 5.82% (16.98% vs 11.16%), through pursuing upside while maintaining portfolio diversification



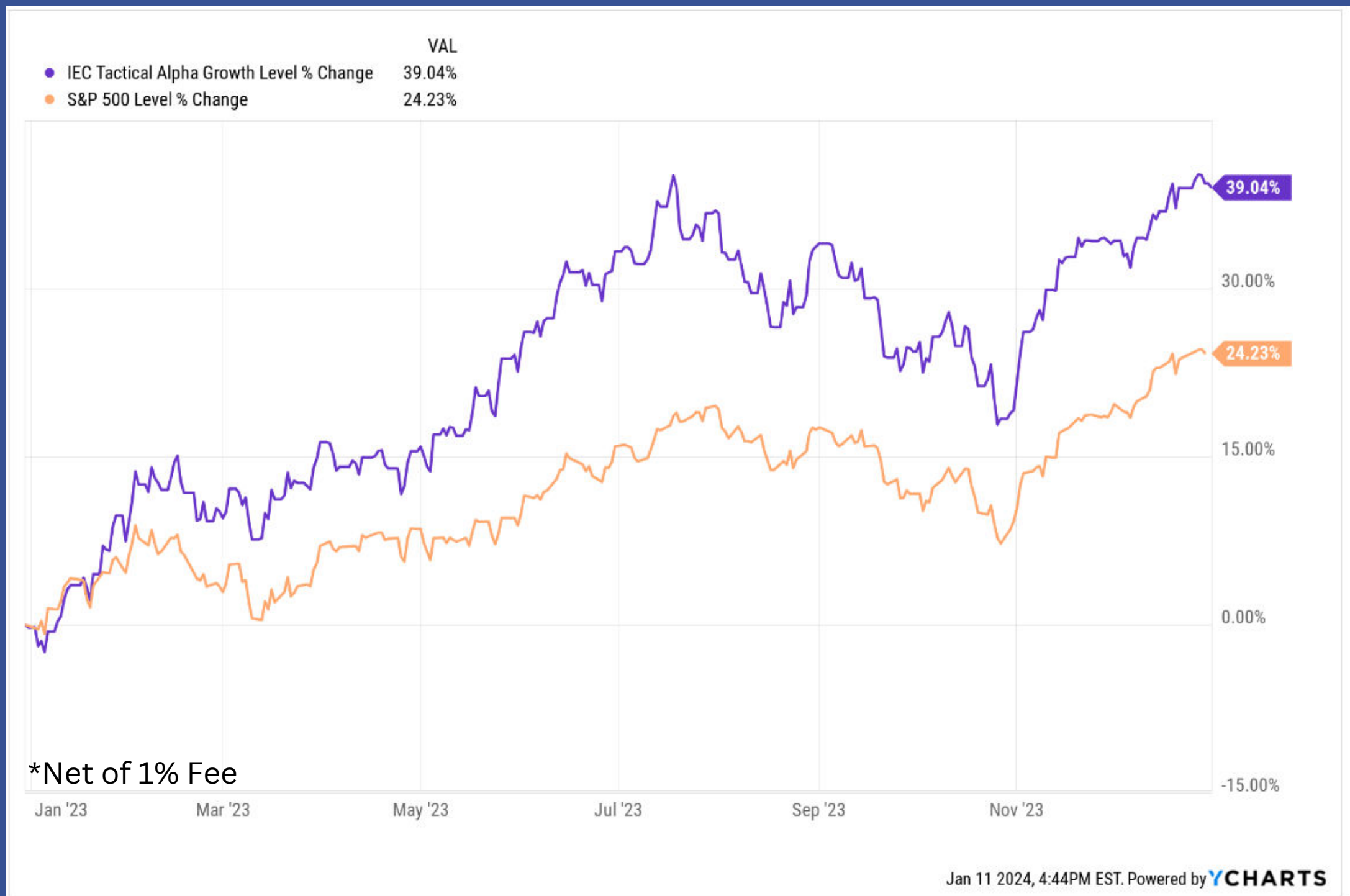
# IEC TACTICAL ALPHA GROWTH MODEL - 2022



- In 2022's market correction, the model underperformed the S&P by 8.66%.
- The Nasdaq 100 index, perhaps a more accurate index comparison, finished the year down -32.97%



# IEC TACTICAL ALPHA GROWTH MODEL - 2023



- In 2023, the model outperformed the S&P 500 by 14.81%
- As mentioned, mega-cap growth stocks led the way, and we invested in these stocks heavily in 2023.





# THANK YOU!

[info@insideedgecapital.com](mailto:info@insideedgecapital.com)



Todd Gordon



Kyle Wasson