



Commentary: NCM Global Income Growth Class

On June 7, 2024, Portfolio Manager Jason Isaac, CAIA, CFA provided an update on recent market events and how he is currently positioning the NCM Global Income Growth Class portfolio.

TRANSCRIPT:

Hello, everybody. Happy spring. It is Friday, June 7th, 2024. It's Jason Isaac coming at you with an NCM Global Income Growth update. The last time we did this update was April 15th.

Just looking at my Bloomberg. Items of note. Nvidia just keeps going and going and going. That was all over the map this week. GameStop and the meme stocks are back. They're up, they're down, they're up, they're down. It's been crazy.

Payroll numbers just came out this morning. Seems to be confirming a little bit of a slowdown. And we've hit what seems to be a cutting cycle. Bank of Canada this week, the ECB this week, Denmark, all cut rates. There's a lot of people expecting the United States to follow suit.

With that, one of the questions I've been asked is, what makes me nervous? And the biggest thing that makes me nervous is the ten year yield in the United States. Perfect Goldilocks scenario for that is between 3.75% and 4.30% in yields. If we stay in that equities will be able to power through and do what they normally do, which means they deal with the markets.

We spike significantly above five, which doesn't look like we're going to, but if we do, that would be a serious headwind for the markets. And if we hit significantly below 3.75%, that would actually, in my mind, suggest there's been a hard landing in the economy, which also wouldn't be good. But right now we seem to be in the sweet spot with yields kind of rolling over and possibly, like I said, a global rate cutting cycle coming down.

The positioning of the fund right now, I'm just looking at my notes here, we got about 2% cash, we got 13% fixed income and 85% equities. As many of you know, I tend to bucket the equity side of the portfolio, with a stable bucket and a growth bucket.

Up until about the beginning of May, I was running about 50/50 in stable low beta names and 50% in high beta and growth names. I've pumped the brakes a little bit on that. I've actually upped the stable bucket to about 60-62% of the portfolio. And conversely, the growth side of the portfolio has dipped a little bit just to put a little bit of a cushion in there.

The things that have me worried, like I said, is the ten year yield, although it looks like it's rolling over. But everybody seems to be bullish. And for those of you that have followed a lot of the stuff that I've done, I've got three indicators that I'm looking at when it comes to the asset mix.

It's what's the 50 day and the 200 day doing versus the S&P 500? That's a check. So you want to be overweight equities. What's consumer discretionary and to a certain extent Bitcoin doing versus the rest of the market? Bitcoin's doing really well versus the market. That's a proxy for risk taking and discretionary. There's pockets of discretionary that's doing really well. But more or less that's neutral. So you're just kind of going with the flow on that.

But the thing that's got me a little bit worried is small time traders in the NDX futures, they tend to be pretty aggressive. And the more aggressive they get, the less or the more trouble the market has. Not necessarily from a crash, but just they kind of sloshes through and it's not very it's average returns, maybe a little bit lower. So as, as more and more people on the Small Time Trader Index get aggressive, that just means you want to, like I said, pump the brakes, which is what we've done.

When it comes to the top ten of the portfolio, there hasn't been a lot of changes since April. What we have done is we've taken Accenture and Tempur Sealy out. Accenture, the AI story just hasn't played out the way you'd think it would. And the name has kind of rolled over. And Tempur Sealy again, that's part of the trade I was talking about moving from the growth part of the portfolio to the more stable part of the portfolio. So in relation to that, I've added Howmet and Broadcom. So semiconductor name and then Howmet which is an industrial name with the on-shoring.

One thing that I am cautiously optimistic is it is an election year. And with that, the summer tends to be pretty good if we get the relief on the rate side, which it appears that we're going to be getting, the markets are still poised to climb the wall of worry. So, instead of being pedal to the metal in the portfolio, I am still overweight equities. But like I said, cautiously optimistic and just pumping the brakes.

With that, I'll sign off. I hope you guys have a good summer. We'll talk to you in a couple of weeks. Bye.



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