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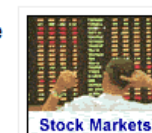
Stock Market in Upward Trend

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By: [Peter Navarro](#)

do not usually go to cash when the market's bullish trend is still in place. However, this last Friday morning, as the market opened up, I decided that it was time to take a breather. As I promised I would on the Kudlow Report the evening before, I cashed out for all of my business cycle-sensitive positions except that in CYB.



I even cashed out several of my small-cap biotech stocks, including Chelsea Therapeutics, Halozyme, and Dusa. I did, however, maintain my large position in Prolor (PBTH) -- the stock had a great week as it went from over-the-counter to the Amex, which should give it a huge lift over time.

I want to be clear here. I'm not recommending this kind of cash-out strategy to anyone other than myself. My thinking is this: There is an upward trend in place now. However, the trend is weak and the risk of a downside move has been steadily increasing as volume has been low. In addition, there has been a lot of short covering, which hasn't been sufficient to propel market upward. At some point, the shorts are likely to regain the upper hand.

What I'm seeing, then, is an interval in which the market is once again more of a roulette wheel than a poker game -- a gamble, rather than an intelligent speculation. In such times, I would rather lose a few percentage points of upside by staying out of the market than lose as much as 5 to 10% in a pullback or correction. And for the record, I don't mind being in cash for weeks and months at a time. I prefer to make my money and big chunks rather than small; and to do so, patience is the most important quality.

In the coming week, we are going to see the end of the quarter where I expect a lot of mutual funds will be closing out positions to take profits and make themselves look good. That's downward pressure on the market. We've also got the jobs report at the end of the week -- that's uncertainty for the market. In addition, tax day is coming up and it is always kind of funky for the market. So my strategy now will be to wait and watch -- at least for a bit.

On the whole, I favor macro trades. At this point, what I will be watching very closely for is any sign that the long end of the yield curve starts to resume its upward movement. I continue to think that shorting the long bond is eventually going to be one of the great trades of this decade. TBT is the instrument. I will be ready to play it, when the inflationary music begins.

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