

Reminiscences

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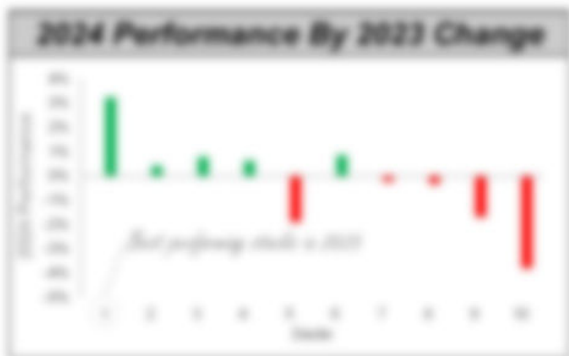
* Annualized YTD gain

Inside This Issue

Three Strikes and You're Out

2024 was supposed to be the year of small caps, the end of the Magnificent 7 and last year's losers (value) were going to replace the 2023 winners (growth) at the front of the line.

There is still a lot of time left in 2024 but if January is any indication there has been no changing of the guard (despite today's market). Last year's winners are still the winners while the losers continue to be just that. It will change some day, but that day is not now.



Interest Rate Cuts

As was widely expected the FOMC met today, issued their 2:00 PM press release and Mr. Powell held his press conference. And oh yep, there was no change in interest rates. Investors have been, in our view, overly focused on every economic report, every utterance from Fed officials in a failed attempt to discern when they will start cutting rates.

The focus on each individual economic report is creating unnecessary noise for investors and the day-to-day reports should be ignored.

We Are Positive for Three Reasons

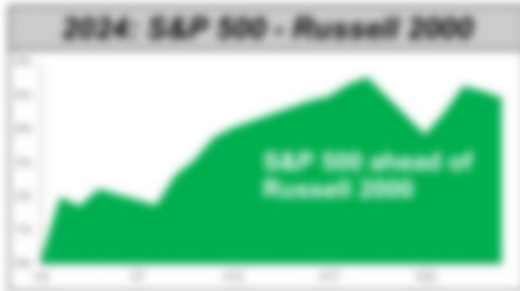
- We are in a bull market and while some have suggested the gains have not been strong enough, we disagree. After 470 days, the current bull market is up 37%, this compares to 30% at this time for the 1990 bull market which lasted eight years and eventually gained 302%.
- Sentiment continues to be negative.
- But most importantly, there are more stocks we want to buy in the S&P 500 than we want to sell.

"But how do we know when irrational exuberance has unduly escalated asset values..."
 - Alan Greenspan : 12/5/1996 -
 Note: The S&P 500 was to gain a further 100% until its eventual peak in March 2000.

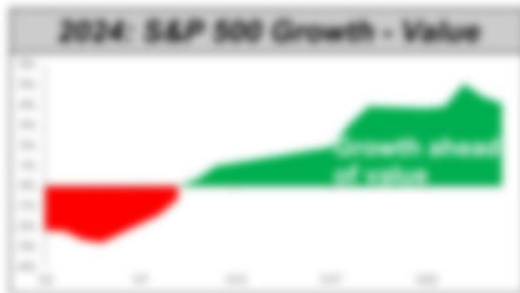
Three Strikes and You're Out

Turning over a new leaf, starting fresh, wiping the slate clean, a new beginning, these are often the phrases one hears at the start of a new year and 2024 followed the script as Wall Street's forecast was for a changing of the guard in 2024. It is still the first inning of the game but at their first at bat strategists went down swinging.

- **Strike 1:** Small stocks were supposed to do better than large stocks.



- **Strike 2:** Own value instead of growth.



- **Strike 3:** The Magnificent 7 had seen their best days and the winners last year will not be the same in the new year. Well, not so far.

At the end of each year, we capture the fundamental data for each member of the S&P 500. What are the largest stocks? Which stocks have the highest P/E or the lowest return on equity or were the best performers in the previous 12 months?

The performance matrix, at right, groups stocks into 90 different buckets, each with 50 members and calculates the performance of that bucket (decile). For example, the 50 best performing stocks in 2023 (2023 change):

2024 YTD Performance Matrix										
	S&P 500 Equal Weight: 4.37%									
	Deciles									
S&P 500: 2.80%	1	2	3	4	5	6	7	8	9	10
Trading P/E	0.71	0.20	-0.06	-0.07	0.08	-0.02	-0.05	-0.76	-0.25	-0.07
2023 Change	-0.25	0.40	0.76	0.60	-1.00	0.07	-0.22	0.22	-1.00	-0.05
Bk P/E	0.28	0.00	-0.02	0.28	-1.76	-0.70	-0.00	0.00	-0.24	-0.25
5-Year Growth Rate	1.00	1.00	0.96	-0.71	-0.21	-0.27	-1.28	-1.46	-0.01	-0.14
Yield	-1.76	-1.00	-1.27	0.01	-0.25	-0.20	-0.10	0.00	1.00	0.11
Price to Book	1.00	0.00	0.40	0.40	0.70	-1.10	-1.00	0.00	-0.71	-1.00
Price to Sales	0.07	-0.76	1.28	-0.77	-0.07	-0.00	-0.00	0.00	0.00	-1.10
Debt to Equity	-1.21	-0.28	-1.25	-0.40	0.00	-0.07	-0.28	1.00	-0.28	0.22
Market Value	0.22	1.21	0.40	0.16	-1.21	-1.00	-1.10	-1.01	-1.27	-0.00
Decile 1 = Highest Largest Bkt										
Yield Decile 10 = All stocks with no dividend										

are up on average 3.25% in 2024 (decile 1), while the 50 worst performing stocks last year have fallen 3.80% in the new year.

Resorting the 500 stocks on just their size at the end of last year makes it readily apparent that nothing has changed. Investors continue to gravitate to the largest stocks with the biggest companies up on average 3.22% to start the new year, while the smallest stocks have declined 0.80%.



Admittedly, it is still early, and 2024 has eleven months remaining, and day's like today rattle the nerves, but as of now we see no indication that there is an imminent change on the horizon. In the last newsletter we wrote:

While positive it would not surprise us to see some early weakness as the market is overbought... However, we would use any early 2024 weakness as an opportunity to buy stocks.

The market did pullback early in January and we hope you heeded our advice and used the weakness to buy.

*We have been collecting this data and running the matrix for the past 25+ years.

Over the past several months, we have seen a steady increase in the number of new projects being awarded. This is a positive sign for the industry and reflects the growing demand for our services. We are pleased to see this growth and are confident that it will continue in the coming months.

The overall market remains strong, with a focus on sustainable and green building projects. Our clients are increasingly looking for innovative solutions that reduce their carbon footprint. We are well-positioned to meet this demand with our expertise in sustainable design and construction.



In the past few months, we have seen a steady increase in the number of new projects being awarded. This is a positive sign for the industry and reflects the growing demand for our services. We are pleased to see this growth and are confident that it will continue in the coming months.



Our focus is on the quality of our work and the satisfaction of our clients. We are committed to providing the highest level of service and ensuring that every project is completed on time and within budget.

Investment and Growth

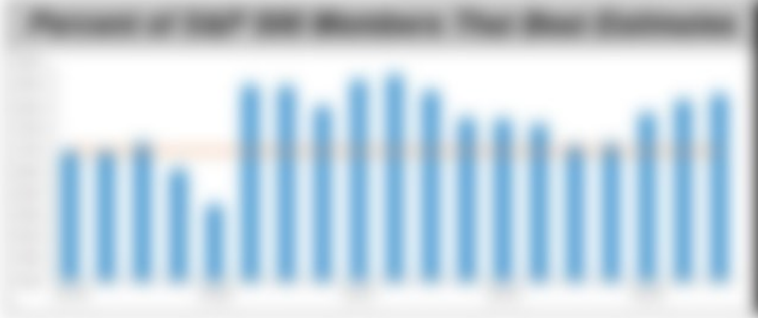
We are investing in new technologies and training to stay at the forefront of the industry. This will allow us to provide more efficient and effective services to our clients. We are also exploring new market opportunities to expand our reach.

The overall market remains strong, with a focus on sustainable and green building projects. Our clients are increasingly looking for innovative solutions that reduce their carbon footprint. We are well-positioned to meet this demand with our expertise in sustainable design and construction.

We are committed to the long-term success of our clients and the growth of our company. We will continue to work hard to deliver exceptional results and build strong relationships with our clients.



Our team is dedicated to excellence in every project we undertake. We have a proven track record of successful completions and are proud of the work we have done for our clients. We look forward to continuing our partnership with you.



You might ask if our positive view is not because of lower interest rates, then why are we positive?

Don't Swim Against The Tide

To begin, and we are not trying to be flippanant, but we are positive because the S&P 500 is in a bull market and being negative in a rising market is like trying to swim against the tide at the Jersey Shore. You will eventually lose plain and simple and your portfolio will be dragged down.

Likewise, being positive in a bear market is also not the road to success. One of the lessons we have learned (the hard way) is to choose the path of least resistance when investing and do not fight the trend.

By our calculations, the bull market began on October 12, 2022, is now 470 days long and is up 37%, while the Nasdaq is up 50% and the path of least resistance continues to be higher. It won't always be smooth sailing and a linear path to higher prices should not be expected or assumed because it won't be. We expect there to be issues along the way and we will evaluate their impact when they arise.

S&P 500 Bull Markets				
Start	End	Gain At 470 Days	Total Gain	Days
8/28/82	2/9/85	39.24%	79.70%	1,324
10/7/86	11/29/88	30.11	48.05	764
3/26/70	11/11/73	42.86	73.53	961
10/3/74	11/28/80	53.45	125.83	2,248
8/12/82	8/25/87	62.20	228.81	1,839
12/4/87	7/16/90	32.49	64.77	955
10/11/80	7/17/88	39.66	301.66	2,836
8/31/88	3/24/90	47.09	58.52	571
10/6/82	10/6/87	47.74	101.50	1,828
3/6/88	2/16/90	64.87	400.52	3,699
3/23/20	1/3/22	93.08	114.38	651
10/12/22	1/25/24	36.82	36.82	470

The second reason we are positive is the abundance of negative sentiment. On Friday, January 19th the S&P 500, after two years, finally hit a new all-time closing high and did so each of the next four days. But instead of being greeted with jubilation the mood was not even one of cautious optimism but instead was one of out and out negativity.

The afternoon of January 19th CNBC ran the story:

As S&P 500 hits new record, three indicators point to a pullback

And over the next four days there were further negative stories:

S&P 500 breaks out to new record, but some chart analysts are worried

Widening gulf between market's winners and losers could create problems for S&P 500 as it marches toward 5,000, analyst warns

Stocks Face Pressure As Rate Hopes Cool

Fed could fuel an 'irrational exuberance' bubble with rate cuts

But what was most telling was the absence of bullish stories touting that even higher prices were on the horizon; while not one strategist raised their year-end target after the S&P 500 hit a new high – which is highly unusual.

Speaking of strategists, at the start of the year they were looking for the S&P to end the year at 4,767 (which was two S&P points higher than the close of 2023), after a break or two their current collective target is 4,967, this while the S&P is already trading higher than that level. **If this is not the most hated bull market in history, it is surely close.**

The last reason we are positive is because there are more stocks we would rather own than short. Currently, 75% of S&P 500 stocks are rated in an uptrend or trading range on our work while only 25% are in a downtrend.

We would, however, be remiss if we did not mention one noteworthy item from this month, and not in a good way. Earlier this month one individual suggested that the boom in Artificial Intelligence will drive the Dow to 100,000 within a decade. If this were to come to fruition, and we are not saying it won't, the average annual gain would have to be 10.25%.

Investor lays out case for Dow 100,000 within a decade as artificial-intelligence boom transforms U.S. stock market

MarketWatch - 1/18/24

This reminds us of a book that was published and generated a significant amount of press in mid-1999, Dow 40,000. The time frame to reach 40,000 was by 2016 and the annualized gain in this instance would have been a more modest 7.91% which is in keeping with the long-term price return of the Dow.



It is now 25 years later, and the Dow has yet to reach 40,000. Just some food for thought.



The Internet vs AI Revolution

Those with a good enough memory (ok, old enough) will recall that 30 or so years ago the Internet, as we know it today, began to emerge. And those with enough gray hair will remember AOL's catchy message, "you've got mail." It became such a large part of the common vernacular that in 1998 a movie was released titled "You've Got Mail" starring Tom Hanks and Meg Ryan.

The mid 1990's marked the birth of the PC revolution, and on August 24, 1995, Microsoft released Windows 95 with a marketing budget of \$300 million (including ads featuring the cast of Friends). In the first four days of being on sale, Microsoft sold over 1 million copies. The rest they say is history. No group at the time benefitted more from the growth of the PC and the Internet than semiconductors.

Looking back, it almost seems too obvious that the Internet would revolutionize the world. But at the time there were plenty of skeptics, many of whom warned about overvalued stocks (Netscape doubled on the day of its IPO in 1995).

Some thought the Internet was only a phase or a bubble with articles at the time needing to actually explain what the Internet was:

The Internet is a computer network that links 25,000 computer networks worldwide. The Web is part of the Internet comprised of pictures and graphics where companies and consumers transact business and exchange information.

Stromberg 8/10/95

And one analyst in the same Stromberg article commented, "people are wondering how big the Internet market can possibly be?"

For many companies it eventually did end badly but not until the Nasdaq gained 230% and the semiconductors 400%.

At the time, we authored a Topical Study on the subject and reviewed other fails and concluded:

The sheer volume of activity and investments in these stocks [Internet] is of far greater magnitude than other alleged bubbles.

We believe investors should recognize that there will be casualties, but there is too much smoke not to conclude that some significant fire is also present.

Internet Stocks:
More Temp.
Less

Topical Study 1/95

This brings us to 2024 and the emerging field of AI which reminds us of those early days during the birth of the Internet. Now, like then, there are more questions than answers. Who will survive, is it a bubble, how will it change the future of the workplace? Will we even need customer service representatives anymore or will we just speak with an AI computer?

1995: Selected News Headlines

- Will Computer Stocks Stay Fired up in 1995
- As Desktop Video Approaches, is the Office Ready?
- High Flying Market Still Has Fuel Reserves
- Gravity Reasserts itself Forcefully on Technology Stocks
- Beyond the High-Tech Hype
- Teetering Tech, Despite Sharp Setback, Technology Shares Attract Fans
- Technobubble -- Netscape is not the only new technology issue trading at a dizzy multiple. Watch out below
- Magellan Manager Bullish on Tech
- Mutual Funds Start Shedding Tech Stocks
- Bubbles, Manias and the Herd Instinct
- Technology Stocks Lead Market Dive
- Despite Stock Jitters Tech Industry Shows Long-Term Strength
- The Spotlight Again Turns to Microsoft
- A Chip Order is Cut. Result: Technology Stocks Reel
- Tech Stocks' Role in Rally is More Than Numerical
- New Tech Stocks: Is the Feast of 1995 Finally Over?
- Hot Internet Stocks Soar. Are Shorts in Squeeze?
- Internet-worth: Why the Frenzy Won't Stop Soon
- On-Line Mania: In Early Stages Amateurs Beware

But if history does repeat itself, which we think it does, the AI revolution over the coming years will dramatically alter the world. The transition will be lumpy and there will be casualties, with many companies not surviving or at least not prospering. Even the semiconductors in the five-year period ending in 1999 experienced seven declines of at least 20%, with the largest (-37%) occurring in the middle of 1995 and corresponded to the launch of Windows 95.

Semiconductor Declines: 1995 - 1999			
		Percent	
Begin	End	Change	Length
1/1/95	1/1/96	-27.80%	194
8/25/97	12/1/97	-24.92	114
2/25/98	6/15/98	-28.43	110
6/18/98	8/31/98	-23.89	113
1/26/99	6/1/99	-23.05	123
9/3/99	10/16/99	-22.11	46

Overlaying semiconductors starting in 1995 to the current period, one gets a sense of the strength of the semi's during the Internet revolution. It is also interesting to note that in this period we have yet to experience a 20% decline while in 1995 the semi's were in the midst of what turned out to be the largest decline, in that five year period.



Our advice on AI is to own the major / largest competitors, as these are more likely to be the companies that will benefit and more importantly survive when there is a shakeout. But you also need to recognize that after moves like many of the AI names have had, even the best can and do experience off days and will have corrections, which will test investors' fortitude.

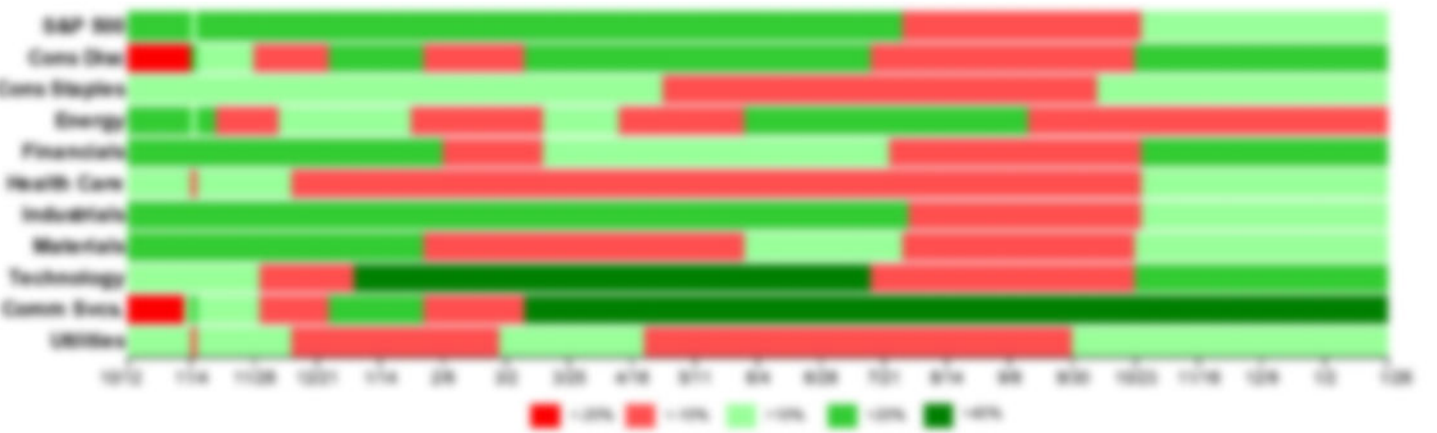
SPYDER Call Update

In the December 2023 newsletter to manifest our positive view for the new year we recommended buying the SPYDER 1/17/25 \$500 Call. It closed that night at \$16.09 and since then has gained approximately 80% (and a few days ago it showed a gain of 100%). It is hard to pass up a near doubling in two months, so for those that bought more than one contract we suggest you sell half now and in essence you will be playing with the house's money going forward.

Monthly: Relative Strength - 10/12/22 to 1/30/23



Sector 10% Rally - Decline Status



Birinyi Flow of Funds: January

US Equity ETF Net Flows (B)



January: Largest Inflow Relative to Assets

	Millions, \$		Net Flows %
	Net Flows	Assets	of Assets
SPHF BlackRock Factor Rotation	1,862.2	1,990	93.6%
SPUS Goldman Sachs F1500 Value	161.0	177	90.9
SPUS Goldman Sachs F1500 Growth	158.0	176	89.8
HLGJ JPMorgan Hedge Fund	151.7	170	89.3
TSLF T. Rowe Price Total Return	148.1	165	89.8
FPAU Fidelity Quality Factor	91.3	101	90.4
TCAF T. Rowe Price Capital Apprec.	122.8	136	90.3
SPYV First Trust Value Line	433.2	480	90.3
SPYV First Trust Value Line	38.7	43	90.0
FQPF Fidelity Factor Fund of Funds	38.1	42	90.7

January: Largest Outflow Relative to Assets

	Millions, \$		Net Flows %
	Net Flows	Assets	of Assets
SPUS Goldman Sachs F1500 Value	-1,862.2	1,990	-93.6%
SPYV First Trust Value Line	-161.0	177	-90.9%
SPYV First Trust Value Line	-158.0	176	-89.8%
HLGJ JPMorgan Hedge Fund	-151.7	170	-89.3%
TSLF T. Rowe Price Total Return	-148.1	165	-89.8%
FPAU Fidelity Quality Factor	-91.3	101	-90.4%
TCAF T. Rowe Price Capital Apprec.	-122.8	136	-90.3%
SPYV First Trust Value Line	-433.2	480	-90.3%
SPYV First Trust Value Line	-38.7	43	-90.0%
FQPF Fidelity Factor Fund of Funds	-38.1	42	-90.7%

Bitcoin ETF Flows Since Inception



Bitcoin per USD



Liquidity

Liquidity and Borrowings	Current		% Change - Prior Month	Y/Y
	Level (\$ Bil)	Flows (\$ Bil)		
Margin Debt	750.8	38.8	5.0	15.5
Retail Money Market Funds	1,741.8	41.3	2.4	48.5
ETFs	5,436.7	27.4	2.1	21.6
US Gov't Sec at All Commercial Banks	4,071.3	71.8	1.8	-4.2
Total Revolving Credit	1,322.0	22.5	1.7	10.5
Commercial Paper Outstanding	1,215.4	10.3	0.8	-3.8
M2	20,829.0	188.6	0.8	-2.8
Equity Mutual Funds (Liquid Assets)	278.0	1.8	0.7	-2.8
Bank Credit of All Commercial Banks	17,372.7	77.1	0.4	-8.8
Commercial and Industrial Loans	2,775.8	5.8	0.2	-1.8
Total Consumer Credit Owned	5,019.0	9.1	0.2	5.1
Total Real Estate Loans	5,521.8	9.9	0.2	3.6
Total Loans and Leases	12,262.3	-0.4	0.1	2.4
Total Nonrevolving Credit	3,701.0	-2.8	-0.1	3.4
Other Liquid Assets	10,783.1	-18.8	-0.2	-13.1
IRA & Keogh Accounts	981.7	-6.3	-0.7	-8.8

Birinyi Sector Timing Model

ETF	Sector	Price	Bottom TE	Top TE	% From Bottom	% From Top	Absolute Buy Price	Absolute Sell Price	Sector Trend
SPY	S&P 500	469.89	457.78	480.64	7.23	2.13	442.85	502.14	47
DIA	Dow 30	384.49	369.47	379.93	6.99	1.31	361.77	389.27	47
XLF	Financials	39.24	35.96	38.13	9.43	2.92	32.37	40.99	46
XLV	Health Care	140.57	131.36	139.44	7.01	0.91	127.32	144.88	47
XLI	Industrials	114.21	107.80	113.81	6.99	0.52	103.41	120.93	47
XLE	Energy	85.00	81.78	85.14	3.94	-0.16	74.13	90.79	37
XLK	Technology	201.92	194.24	198.71	9.80	2.95	179.82	214.18	56
XLY	Cons Disc	174.09	169.87	177.93	2.80	-2.16	167.66	186.34	47
XLP	Cons Stap	73.49	70.39	72.49	4.40	1.34	69.03	74.99	37
XLB	Materials	83.30	81.37	84.79	2.37	-1.79	79.77	89.79	37
XLU	Utilities	81.99	81.85	84.17	-0.12	-4.03	80.44	88.19	37
XLC	Communication	77.80	69.97	74.99	11.19	4.19	69.39	79.92	56

Using the Birinyi Sector Timing Model

Over the course of several years Birinyi Associates developed a toolset of overbought and oversold parameters that can be applied to both index prices and stock prices. In our *Sector Timing Model* we highlight these parameters for the ten S&P 500 economic sectors, the S&P 500 and the DJIA.

The “Bottom TE” and “Top TE” are determined by subtracting and adding one standard deviation from or to the current fifty-day price average. For example, the fifty-day average of the SPYDER ETF is 469.21 and one standard deviation in price movement over the last fifty-days is 11.43, the “Bottom TE” is 457.78 and the “Top TE” is 480.64.

When the current price is below the Bottom TE the security is *oversold*, when the current price is above the Top TE the security is *overbought*. Overbought or oversold conditions are indicated by red shading in the “% From Top” column or green shading in the “% From Bottom” column.

Absolute Buy Price and Absolute Sell Price are calculated by finding the most oversold and overbought a security has been in the last twelve months.

Strategy:

Long candidates are in uptrends and oversold, while short candidates are in downtrends and are overbought. Trend is identified by the “Sector Trend” on a scale of 1 – 5 where 5 is a strong uptrend.



Monthly News Headlines

Week 1

Harvard President Steps Down

**Supermarket Giant
Drops Pepsi and Lay's
Over Price Increases**

FDA Opens Door to Canada Drug Imports

Week 2

**Vertical Rocket Launchers,
Kicking Off U.S. Moon
Mission**

**Officers Around America
Hit a New Vacancy
Record**

**U.S. Fed
Cautious
Stake
Health
In Year**

**Apple's Vision Pro to Become Available in
U.S. Feb. 2**

**U.S. Probes
Jet-Door Panel
After Blast**

**Rare Books Are a Hot Collectible.
Here's How You Can Get Started.**

**Amazon Is Laying Off Hundreds
at Prime Video, MGM Studios
and Twitch**

**China Becomes World's
No. 1 Auto Exporter—
With Help From Russia**

**Nearly a Fifth of Office Space
Sits Vacant, Highest on Record**

**Woods and Nike Part Ways
After 25-Year Relationship**

Michigan Wins the National Title

Inflation Edges Up After Rapid Cooling in Most of 2023

**Google Trims Hundreds of Jobs
as It Struggles to Recruit for AI**

**Microsoft Deflects Apple as
Largest U.S. Company**

**Citigroup to Cut
20,000 Jobs**

**SEC Approves
Bitcoin ETFs for
Everyday Investors**

Week 3

**Judge Blocks
JetBlue's Purchase
of Spirit Airlines**

**M.B.A.s Struggle
With Finding a Job**

**Europe EV Sales Run Out of Juice
As Germans Tighten Their Belts**

Macy's to Cut About 2,300 Jobs

**Congress
Presses
House
to Avoid
Shutdown**

**Holiday
Shopping
Exceeded
Optimistic
Forecasts**

**Americans
Feel More
Optimistic
About
Economy**

Existing Home Sales Slide to 28-Year Low

S&P 500 Climbs 1.2% to a Record

**Sports Illustrated Plans Major Layoffs,
Putting the Brand's Future in Jeopardy**

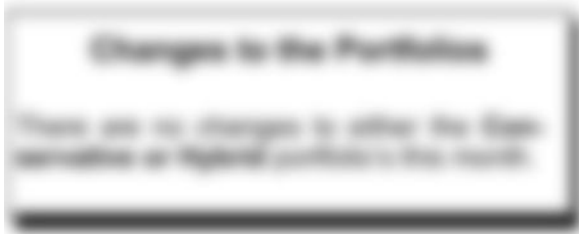
**Apple Set
to Allow
Third-Party
Payments**

**Dow Tops 38000 for
First Time**

**Tech's 'Magnificent Seven'
Stocks Are Back on Top**

Economy Grew 3.1% Last Year, Defying Recession Fears

Next month's issue will be released on February 28th after the close of the market.



PORTFOLIOS			
Conservative			
Stocks	100%	100%	100%
Bond	0%	0%	0%
Commodity	0%	0%	0%
Foreign	0%	0%	0%
Options	0%	0%	0%
Other	0%	0%	0%
Hybrid			
Stocks	50%	50%	50%
Bond	50%	50%	50%
Commodity	0%	0%	0%
Foreign	0%	0%	0%
Options	0%	0%	0%
Other	0%	0%	0%
Trading			
Stocks	100%	100%	100%
Bond	0%	0%	0%
Commodity	0%	0%	0%
Foreign	0%	0%	0%
Options	0%	0%	0%
Other	0%	0%	0%

PERFORMANCE		
Period	Actual	Target
12 Months	12%	10%
24 Months	25%	20%
36 Months	38%	30%

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The performance figures shown in the table reflect the percentage change in the aggregate market value of all securities recommended by Birinyi Associates, Inc. from time to time for inclusion in the applicable portfolio during the period indicated. It is assumed that 100 shares were bought on the recommended date without regard to the price of such security. A list of all such securities will be provided by Birinyi Associates, Inc. upon request. Thus, some distortion in reported performance may result from the addition or removal of relatively high priced or low priced securities, but it is not believed that such distortions are material. No adjustment has been made for the effect of commissions, taxes, fees or other expenses. As a result, performance for the specified periods with respect to actual investments may have differed materially from the performance information herein.

It should not be assumed that recommendations made in the future will be profitable or equal to the performance of the securities in the portfolio.

The performance figures shown do not reflect the performance of an actual portfolio holding the relevant securities, and therefore are hypothetical. Hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results, and all of which can adversely affect actual trading results.

Market index information shown herein, such as that of the S&P 500 and Equal Weight S&P 500 (indexes of 500 of some of the largest and most liquid publicly traded U.S. stocks) is included to show relative market performance for the periods indicated and not as standards of comparison, since these are unmanaged, broadly based indices of U.S. public equity securities which differ in numerous respects from the composition of recommendations made herein.

The terms "Conservative", "Hybrid" and "Trading" are not meant to imply any degree of risk. All investments involve risk and since no one investment is suitable for all types of investors, it is important to review investment objectives, risk tolerance, tax liability and liquidity needs before choosing a suitable investment.

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