



HERITAGE CAPITAL LLC

Invest for Tomorrow. Live for Today.™

In 1994 which seems like a lifetime ago, I played Rotisserie Baseball. It was the predecessor to all these super popular fantasy sports. 12 of us met right before the season began and we drafted our own teams from MLB rosters. Changes to rosters were permitted weekly although for an extra fee, you could do this daily and use what was called a fax machine to send in activity. On Monday's the statistics service would snail mail leagues standings and team by team stats, however, for another extra fee, they would use this fax machine thingy to send the information right away.

I was a total addict and lived for the league, scouring Baseball Weekly for new players and trade ideas. We would all spend hours creating unique names for our teams. At that time I am not sure I knew what a dichotomy was, but I named my team Classical Dichotomy. I don't think anyone knew what it meant either. One year, one guy in the league who famously fell asleep on a Metro North train from NYC and ended up 30 miles past his stop, drafted a Tiger catcher names Matt Nokes at least four times during the draft. Another buddy named his team "I'll take Matt Nokes".

It's good to reminisce. Thanks for indulging me.

That brings us to what's going on in the markets today. As you know, I have not been a fan of mega cap technology since last August when I started squawking here and in the media about selling or reducing Apple and the other FAAMNGs. The hate emails and comments I got. In my 2021 Fearless Forecast I talked about mega cap tech not being the place to be for roughly the first half of 2021 as cyclicals would be very appetizing. That whole theme is playing out very strongly today with the NASDAQ 100 down roughly 9% while large, mid and small cap values indices are but one day removed from all-time highs.

See charts below for more.



Popular stocks like Tesla and Nvidia have broken down, the latter of which I recently bought. It never ceases to amaze me how loud bulls are after a huge run in a stock, but the minute a correction sets in, all I hear are crickets. If you loved Apple at \$140 and thought it was going to the moon, how do you not pound the table at \$120? Investor behavior is never easily explained.



Since Thanksgiving I have been sounding the alarm on the epic greed and euphoria that was in the markets. Bitcoin, cannabis, SPACs, money losing IPOs, you name it, it's there. History tells us that conditions like this are rarely fixed quickly nor painlessly. I have opined that it is going to take a series of rallies and pullbacks to sufficiently damage the market's foundation enough for a major decline that does not immediately recover. We are not there yet.

Rather, this looks like the market punishing the late comers to mega cap tech to the benefit of energy, industrials, transports and banks. I do not believe the bull market is over, nor do I believe this bout of weakness will become something significant. This should be yet another decline, like we saw last September and October which should be bought for another run to new highs. And I do think the tech sector will recover. A bounce should begin today.

Doing this for 32 years, I have met my fair share of investors. What always shocks me is just how quickly people turn bearish after a single digit decline. One of the only times that was not the case was in 2000 when investors bought every decline in Dotcom and refused to turn bearish. As you know the bear market last more than two years with a 50% decline in the S&P 500 and 80% in the NASDAQ 100.

Today, we have a classic dichotomy of mega cap technology and cyclicals, the Russel 2000 and the NASDAQ 100.

To Your Financial Success,

A handwritten signature in black ink that reads "Paul Schatz". The signature is fluid and cursive, with the first name "Paul" and the last name "Schatz" clearly legible.

**Paul Schatz
President
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