

A Positive Week, and What Sits Behind It

The Week in Review, June 26 to July 2, 2026

Our strategy finished this week up about 0.66 percent, a positive result, and I want to use these five days to explain what kind of strategy this actually is. It is a defensive, absolute return strategy. That means its job is to grow your money measured against zero, not against any stock index. It is not trying to track the market or match a benchmark week to week. It follows its own set of rules, and those rules decide how much of it is invested at any given moment.

That is why I think of it as indexless. At any point the strategy can be fully invested, holding all eleven major sectors of the market, or it can be entirely in cash, or anywhere in between. When trends are healthy it leans in, and when they break down it steps back to safety. The amount at risk is never fixed. This week it was mostly invested, with nine of our eleven sectors in the market and two of them resting in cash.

The two sectors in cash were Consumer Discretionary, the group tied to what people buy when they feel good, and Communication Services, the phone, media and internet group. Both were trading below their long term trend line, the 200 day average, so the rules kept them in cash until those trends heal. Cash earns a steady but small return, about four percent a year, which comes to very little over five days. Both of those groups happened to rise this week, and holding all eleven sectors rather than parking those two in cash would have added roughly six tenths of a percentage point to the week. That is simply the arithmetic of following the trend rule during a stretch when two out of favor groups bounced.

For a point of reference, a common balanced fund that holds sixty percent stocks and forty percent bonds, the Vanguard Balanced Index Fund, returned about 0.87 percent over the same five days. Our 0.66 percent sits a touch below that this week. I use a balanced fund as the yardstick on purpose, because a steady sixty forty mix is the kind of middle of the road, defense minded comparison that fits this strategy far better than any single stock index would.

One week is one week, and I read very little into any five day stretch. What matters is the shape of the strategy. It is built to be able to move all the way to cash when trends roll over, and that ability is what protects capital in the weeks that are unkind. This week it was mostly invested, it earned a positive return, and the discipline worked exactly as it is written. The two sectors below trend will rejoin the portfolio on their own the moment they climb back above their long term average. Until then they stay in cash, and the strategy keeps doing its job.

— John