



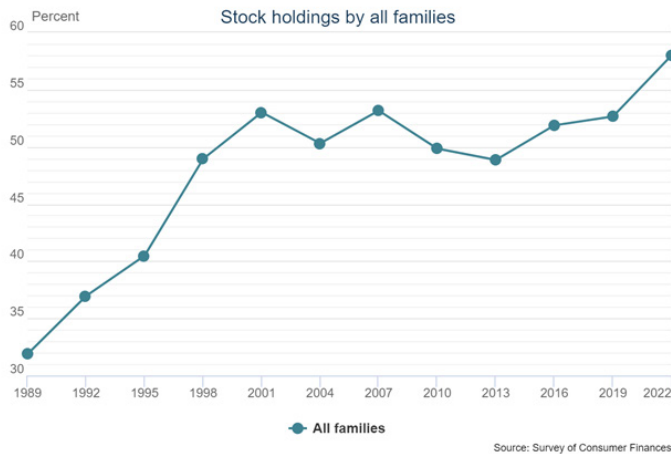
Missive

AUGUST 6, 2024

Crowd Strike

Dear fellow investors,

One of the very popular technology companies in recent years has been CrowdStrike, Inc. It provides cybersecurity to numerous major technology companies including the top Artificial Intelligence (AI) players. Its shares got blasted recently as the first big correction in the glamour tech stocks has taken hold of the market's agenda. However, a much bigger issue in the stock market would be if the crowd of people who have come into the stock market since 1989 went on a buyer's strike.

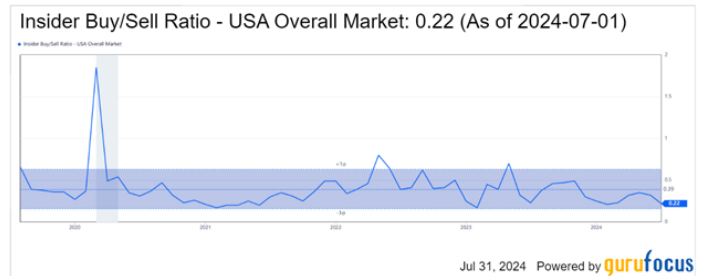


Not only are American public investors crowded with glamour tech and growth stocks, but so is the S&P 500 Index:

Sector	Weight
Information Technology	31.2%
Consumer Discretionary	10.0%
Communication Services	8.8%
Glamour Tech and Growth	50.1%
Remainder of the S&P 500	49.9%

Source: Bloomberg, as of 7/31/2024

Other crowds exist in the U.S. stock market. Insiders at publicly traded companies are crowded on the selling side of the ledger and are nearly invisible on the buy-side.



Source: Gurufocus

What would happen if the 52 million common stock owners and the crowd of religious passive investing individuals, financial advisors and writers for major investment outlets ([The Death of Stock Picking](#)) decide to go on strike? It could create a circumstance that feeds on itself. Selling begets more selling and feeds on itself. Major stock prices begin to perform poorly, which drags down the S&P 500 Index, which in turn causes the selling of the index. The index selling puts a drag on the largest-cap stocks, which adds more legs to the index selling. It doesn't take Billy Preston to sing, "Will It Go Round in Circles!" It could easily become a circular wave with no source of buyer interest.

How can you defend your stock portfolio? First, expect the Federal Reserve Board to bring down short-term interest rates in response to a strike in the crowd of tech stocks, growth stocks and passive large-cap stock indexes. Lower interest rates would lead to lower mortgage rates and spur profits for home builders like D.R. Horton (DHI) and Lennar (LEN).

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Second, cheaper interest rates could reignite commodities like oil and other forms of inflation. We are well-represented among the oil and gas business in stocks like Occidental Petroleum (OXY) and Apache (APA). Lastly, we are reexamining our largest-cap stocks, which could get caught in the S&P 500 Index crowd going on strike via liquidation.

In summary, a massive crowd could be unwinding as buyers go on strike. As Warren Buffett likes to say, be fearful when others are greedy! The crowd is as greedy as it has ever been and prepare yourself for what could be a long strike.

Fear stock market failure,



Bill Smead
Chief Investment Officer

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