# Funky Internals, Crowded Semis, and the Hill I'll Die On | Tom Thornton, Hedge Fund Telemetry

12 MIN · YOUTUBE · HTTPS://WWW.YOUTUBE.COM/WATCH?V=PR8CT5-VBES
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SUMMARY

*The speaker discusses their market analysis process, focusing on market sentiment and technical indicators, highlighting unusual divergences in stock performance despite rising indices. They express concerns about the current market's narrowness, excessive bullish sentiment, and the prevalence of gambling-like behavior among traders, while also sharing personal reflections on resilience and the importance of sticking to a disciplined investment strategy.*

- *The equity bullish sentiment is at extreme levels, with unusual divergences in stock performance.*
- *The S&P is up 4.2% with more stocks down than up, indicating potential market instability.*
- *Exhaustion signals are appearing in indices and tech stocks, suggesting a possible downturn.*
- *A significant number of new lows in the S&P raises concerns despite the index hitting all-time highs.*
- *The speaker emphasizes the importance of integrity and a disciplined trading process amidst market noise.*
- *They express skepticism about the current gambling mentality in trading, likening it to a casino.*
- *The speaker is currently short on certain stocks, particularly Intel, due to fundamental concerns.*
- *They advocate for a focus on quality investments and are exploring opportunities in companies like Nike, despite market challenges.*

[music] [music] >> Within my process, I look at a lot of things. I'm I'm very focused on market sentiment, and we use the daily sentiment index data, and then we plug it into charts, use you know, put in indices, uh stocks, bonds, currencies, commodities, and you get it every day. So, I'm looking at at that data uh every day, and the equity bullish sentiment is back to extreme levels. I I look at market internals, and market internals right now are really funky. I'm using that technical term funky because we're seeing divergences that we've never seen, and I'm friends with all the, you know, Jonathan Krinsky's and and others that uh we all look at this stuff, and we're like, "What is happening?" I mean, for example, the S&P is up 4.2% month-to-date, and you have 209 stocks up and 295 stocks down. And on the Nasdaq, you're up 8% uh month-to-date, and you have 51 up and 50 down. And that is sort of weird because you would normally see things higher. So, this is probably what I'm looking at right now, um my biggest focus. I also look at the market indicators, and it's very strange because we're starting to get um exhaustion signals on the upside on the indices as well as in tech. Now, the other thing um that I'm kind of getting into my whole market setup here, um with the internals, it's very strange to have the S&P up, let's say, 8% above, or no, it's 9% above the 50-day moving average, and you have half of the components above the 50-day moving average. And on average, I'm nerding out here. On average, when you have that type of You've never had a 9% and then this low of, you know, components there.

But on average, you normally see above 80% above the 50-day when it's this far stretched above that. The last 4 days, excluding today, we've seen more new lows on in the S&P than 52-week lows versus 52-week highs in the

S&P. Now, that's bonkers crazy when you figure the S&P is hitting all-time highs. Even more bizarre is that the S&P year-over-year, which how they calculate 52-week highs, it's up 30% from that period last year.

So, when you're starting to see a lot of new lows, uh that is a concern. Yeah, we had 9% of the index yesterday hit uh new lows. Uh that that is just a There's something wrong there, and it's very narrow. It's very It's, you know, there's no sector making relative highs other than technology. So, those are the things that I look at. Uh I look for crowded situations, and I think technology is very crowded. Um I can go through some scenarios where you had Bitcoin very crowded on the upside. You know, there was crypto week, and you had upside exhaustion signals, and that caught people and trapped people in crypto, and you haven't seen those highs in a while.

Uh I don't really care about crypto, but my targets was It was 66,000 on Bitcoin, which uh was achieved. So, it's starting to tick higher again. We'll see where it goes. Uh silver got that way recently, and then fell off. Um I think chip stocks are getting that way, and they're probably going to fall off and hit the market as well. Um so, that's I really answered a lot there.

You know, sometimes it's um it's it's a it something that I can lose I can lose money on, but I think just staying focused with my process Mhm. with integrity and you know, never bending to you know, the new thing or stuff that doesn't have any intrinsic value. Um that that I I really don't understand how to value. I mean, I guess crypto I I just I'm not a crypto person. I analyze the price action. But I'm just not one that's going to, you know, put laser eyes on and, you know, talk it up. It's just not me.

Uh I like to, you know, I'm I come from a background of a hedge fund where we analyze things fundamentally and technically. So, um really you know, stuff that is just technical, it it's hard for me just to focus on that. Um you know, right now there's a real gambling mentality. So, you have all the, you know, the 2.3 trillion dollars daily traded in zero dated expiration options. It's just it's nuts. I mean, Warren Buffett said it's a gambling casino right now, and that's concerning.

He's sitting on Well, Berkshire's sitting on 400 billion dollars in cash, which is more than uh 24 other companies um other companies in the S&P. So, they have a lot of cash. They're doing nothing. I I'm not really into getting rich fast. I mean, I'd like to, but it usually doesn't work. And I, you know, I've had subscribers that have uh done, you know, come into my work and they don't get rich fast, and they move on to the next one. Uh but those that stick with me understand the process and understand uh that we can grab bottoms pretty well at times and that's what we try to look for. I'm I'm short right now.

Um but that's Yeah, I'll die on that hill. Integrity, staying focused on a process. There's a lot of stuff that I I I constantly am reading um and looking for you know, what's happening in the world and um a lot of times I'll try to unplug and I think unplugging from the constant market noise is important and I I I'm a real fan of people's creative process and their struggles, their triumphs, things like that. So, I I I'm going to this kind of I'm I'm from LA originally.

And I moved to Connecticut 24 years ago. And so, I'm a Laker fan. I'm a much bigger Dodger fan. And I'm a fan also of this because my father passed away several years ago um was a sports broadcaster executive. And so, we had tickets for the Lakers, the Kings, the Raiders, the Dodgers and you know, so I got to meet a lot of different sports people. And I just watched this week um a documentary on um Jerry West who was the you know, the logo of the NBA.

And the guy was a perfectionist. I That was very well known. And he lost so much and repeated loss every single year against the Celtics in the '60s and it just tormented him and I was really intrigued seeing how he was tormented by loss. And and and how to deal with loss and it wasn't he wasn't very good at it at at losing but he had the fortitude to come back and that was all he knew what to do and and I I got a lot of inspiration from that and brought back a lot of memories of LA and you know when Kobe died I was you know in tears and everybody you know was crying but so that that is something that I think you can gain a lot of experience by watching examples of people that have gone through struggles that are you know talented and and come back and come out of slumps.

I think that's that was the take I had. I'd probably say I'd like to have someone do a deep dive on me. And and and someone that's that that I respect and and that that understands trading and could distill some of the positives more of the positives and and and help me with some of the negatives that I I go through on a daily basis and monthly basis by running a portfolio and trading you know that that that if I could sit down with Stan Druckenmiller or Paul Jones and just say what am I doing right what am I doing wrong how can I do more of the right. I know that a tutor tried to you know do the pollen a box fund and that didn't work because it really took you know just insight and change and thought and and they scrapped that quant idea pretty quick but that that's probably what I would want to know is there's no more about myself and my strengths and weaknesses and and really just have someone like that that would just say why are you short this you dummy and um and you know I have a lot of humility when I when I trade and I also can be stubborn and I've been completely and I you know, everybody's going to hang up now, but I've been completely stubborn with some of these chip moves right now.

I'm I'm Intel's my largest short. I'm just getting murdered on it, but when I look at the numbers, it's weird because we're in this world where you know, non-GAAP numbers are blowout and everybody goes crazy. Um but if you look at the GAAP numbers, every metric was negative and they lost money. And that keeps me short. I don't see the company turning around very soon. I was a tech strat or not strategist, but a tech trader. I worked with a lot of great tech analysts over the years at my previous hedge fund. So I I kind of understand how long it takes to develop technology and to turn around a company, especially one that in semiconductors, which is not necessarily, know, we're going to we're going to build some new fabs and you know, launch them next week. It takes years and it takes development and it takes experience and Intel's really run behind, but it's become a meme stock and I I really if maybe if maybe if I wish I could dumb myself down and and buy some of these things that others are buying, but it it it doesn't really fit into my process or strategy. Sometimes I'll buy some things that are a little sketchy.

When you know, we get to you know, oversold markets. And when we when we get oversold, I want to buy top quality. I like seeing insider buying. I've been buying Nike. Everybody hates Nike. But Tim Cook is on the board. Elliot Hill is the CEO. They they just bought you know, they've been buying millions of dollars worth of worth of shares and I think there's probably a turnaround ahead. So it's kind of a value. It's not really that cheap, but I could see it, you know, Berkshire putting some money to work in a name like that. It's great brand.

You know, struggle, a lot of competition, but I think it can be overcome. Uh that's that's kind of one that I, you know, sort of looking at. I'll I'll sit there with it. I'm not going to you know, get killed. It was 160, it's 40 now. I I I'm buying it here. It's okay. So, that's Yeah. Long-winded. Long-winded response there. No, that's great. Perfect. >> [music] [music]