While Wall Street 'Experts' Fret About Recession, We're Going to Make Money Here

Call it "The Great Disconnect."

And see it as a great moneymaking opportunity – a chance to grab winning stocks, while most investors get left behind.

And that "disconnect" is just what it sounds like.

Many of Wall Street's biggest (and loudest) "experts" believe we've reached the late stages of the economic business cycle – and are sounding alarms about a recession that's dead ahead.

But my own analysis – combined with our cutting-edge analytics – tells me they're wrong.

Dead wrong.

For instance, our own *Trade Cycles by TradeSmith* timing models disagree with Wall Street's dour outlook, calling for stocks to climb through the end of the year. And so does the stock market's current leadership, as I pointed out previously (Remember to log in to *TradeSmith Finance* to access previous columns.)

In fact, the sectors and stocks performing the best so far in 2023 are *ALL* cyclical sectors. And that's the kind of leadership you would expect to see in the early phase of an economic recovery – and not at the tail end, with an economy wheezing its way into recession.

So why the disconnect between what Wall Street economists are forecasting and what I'm seeing in the real-time data?

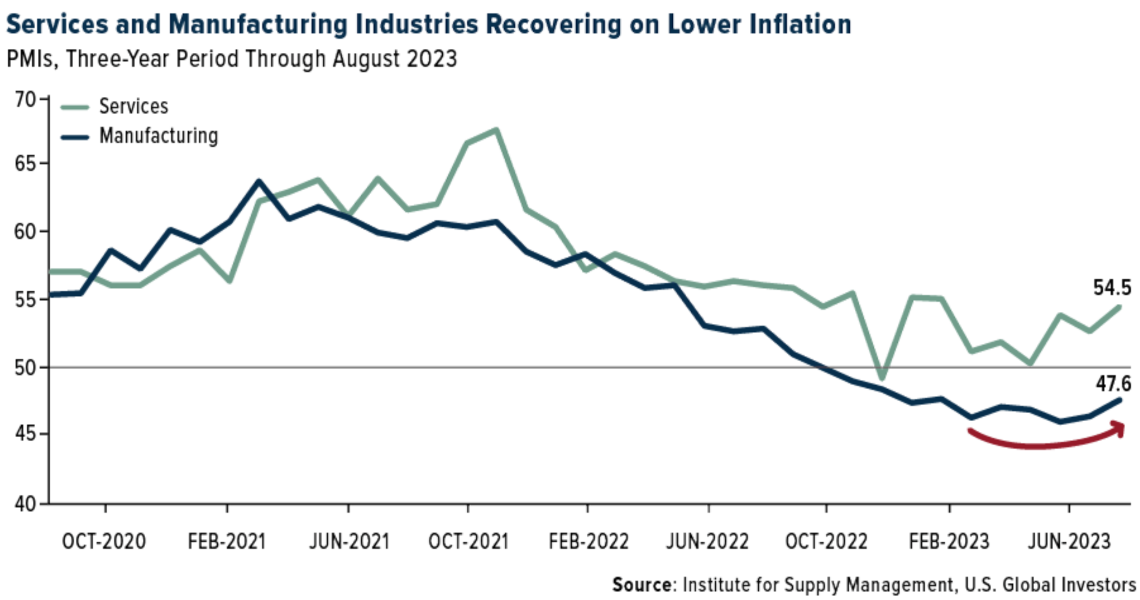
It's a fair question. And the single-best answer is this: This business cycle is unlike any we've seen in recent memory.

Remember, we had a recession during the 2020 pandemic; but at a mere two months in duration, it was the shortest on record. It was basically a sudden, slam-on-the-brakes stop for the economy – followed by a slam-the-accelerator-to-the-floorboards recovery.

In other words, that post-pandemic cycle has been time-compressed in an almost unreal way.

Economists have been predicting a recession for more than a year now – since mid-2022, when stocks plunged and the Treasury yield curve inverted as the U.S. Federal Reserve relentlessly boosted rates to hammer inflation.

But the "predicted" double-dip recession hasn't played out.

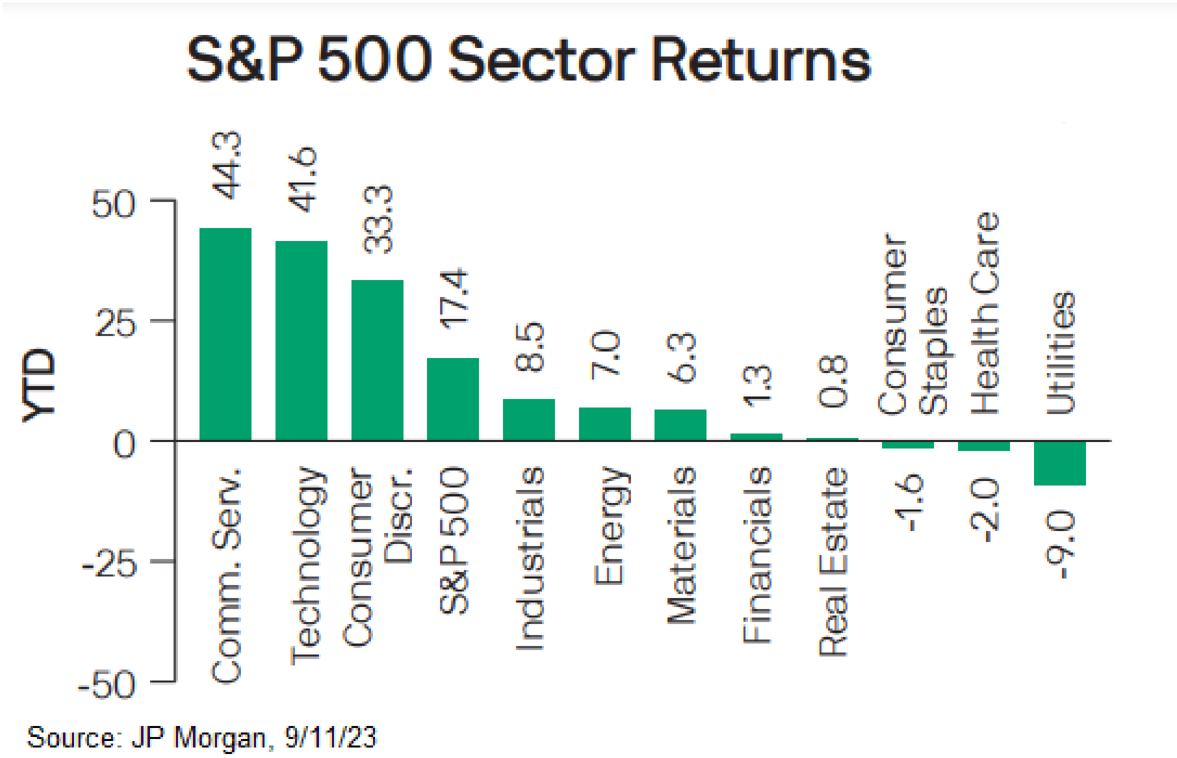


Quite the opposite, in fact: Instead of tanking, the economy appears to be getting stronger. The Purchasing Managers' Indexes for the manufacturing *and* service sectors have turned higher. And corporate profits were much better than expected the past two quarters.

So, the simplest explanation – *which is often the best explanation* – is that the business cycle basically "skipped a beat" due to the pandemic, and that we still haven't really returned to normal as the business cycle goes.

I'm certainly not ruling out a recession down the road. In fact, if Fed policymakers keep rates too tight for too long, they could tip us into a recession even sooner than I think. But that is more likely a problem for late next year or even 2025, not here and now.

And the stock market's current sector leadership is telling us the same thing loud and clear. Take another look at the chart below.



So far this year, the sector leaders are *all* cyclical – which we typically see early in the business cycle, not heading into recession. I'm talking about:

- Communication Services
- Technology
- Consumer Discretionary

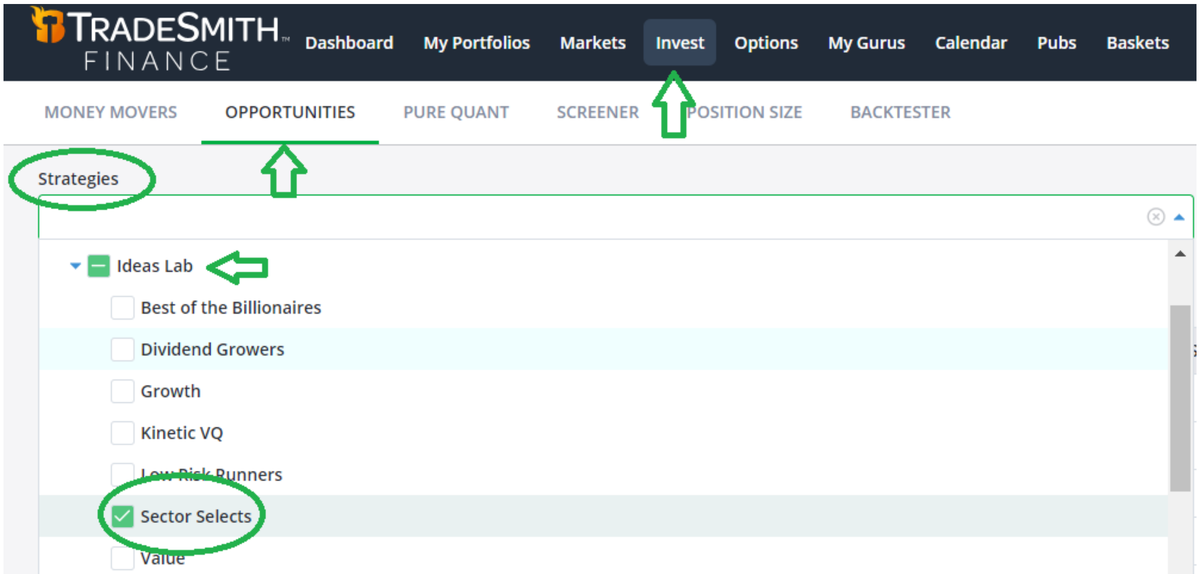
And the Top Three sectors *trailing* the S&P 500 year-to-date are also cyclical:

- Industrials
- Energy
- Materials

More early-cycle winners. So, if these early-cycle stocks and sectors are what's working on Wall Street right now, then *don't sell them, join them*.

With that in mind, earlier this week I called up our proven *Ideas by TradeSmith* Sector Selects strategy to find the best stock opportunities in the leading sectors. This tool is available to our *Ideas* Premium-level subscribers and higher; this includes *Trade360, TradeSmith Essentials*, and *TradeSmith* Platinum.

Here's the easiest way to go about it, step-by-step.



Be sure you're logged in to your *TradeSmith* account. Then click on the **Invest** menu at the top of the platform and click the **Opportunities** tab.

Now at the "Strategies" drop-down, click the down arrow to open the menu, and check the box beside "Ideas Lab" to choose "Sector Selects," as shown above.

This will give you the Top 20 stocks that currently qualify for our Sector Selects strategy. These are the healthiest Green Zone stocks from the best sectors.

By the way, you can create this list by a different route that allows you to choose (or remove) additional filters.

Go back to the **Invest** menu at the top, and this time click the **Screener** tab.

Next, click on "+ Create new screener." At the line for TradeSmith Strategies, open the drop-down menu to "Ideas Lab," then choose "Sector Selects."

Below is the Top 10 list from my screen. You may get a different list or different number of results based on your subscriptions and settings.

Strategies

× Sector Selects

(Top 20 results)

Ticker	Rank	Health	VQ%	Avg VQ%	VQ Ratio	Market Cap	Latest Close	52 Week High	Sector
CHTR Charter Comm-A	#1	2d	23.96%	20.74%	15.50%	$65.3B	$436.61	$452.25	Communication Services
INTC Intel	#2	1w+	28.02%	27.77%	0.91%	$162.7B	$38.86	$40.07	Information Technology
DPZ Domino's Pizza	#3	2w+	22.29%	24.14%	-7.69%	$13.8B	$393.59	$409.95	Consumer Discretionary
GPN Global Payments	#4	2w+	26.41%	23.68%	11.56%	$32.5B	$125.11	$134.37	Information Technology
ACN Accenture-A	#5	3w+	20.51%	22.15%	-7.41%	$209.2B	$314.89	$330.44	Information Technology
AMZN Amazon.Com	#6	3w+	27.81%	39.27%	-29.18%	$1.5T	$141.23	$143.63	Consumer Discretionary
IBM IBM	#7	4w+	15.96%	20.19%	-20.98%	$133.3B	$146.30	$149.00	Information Technology
CDW CDW	#8	4w+	21.45%	20.82%	2.99%	$28.0B	$208.94	$215.70	Information Technology
CTSH COGNIZANT TECH S...	#9	1m+	19.90%	33.47%	-40.54%	$35.4B	$70.13	$72.40	Information Technology
APH Amphenol-A	#10	1m+	20.77%	25.94%	-19.91%	$51.7B	$86.60	$90.28	Information Technology

The top stock on my screen here is **Charter Communications (CHTR),** the Stamford, Conn.-based cable operator and internet provider. Just this week, Charter and **Disney (DIS)** ended their acrimonious "blackout fight" – mere hours ahead of "Monday Night Football," which airs on Disney's ESPN. The deal gives millions of Charter customers access to the hugely popular weekly gridiron matchup.

It's interesting to see that plenty of tech and consumer discretionary stocks made the cut, including many that entered or re-entered the Green Zone within the past few weeks. These include old-school tech giant **IBM (IBM)** and online retail titan **Amazon.com (AMZN)**, which just entered the Green Zone with a new Entry Signal on Aug. 17 after a long absence.

Further down my list (though not shown here), you will find communications services leader **Alphabet (GOOGL),** which just moved into the Green Zone on Aug. 1, and old-school Industrial giant **3M (MMM),** which triggered a new Entry Signal on July 31.

The fact that these blue-chip industry leaders just triggered fresh buy signals is very intriguing. This could very well provide a great "buy the recent dip" opportunity, with plenty of room for these stocks to run.

Mike Burnick's Bottom Line: The current sector leadership in the stock market is all about cyclical industries that typically give their best showing during the early part of an economic recovery. This phase also offers the best potential upside for these sectors and stocks. And our Sector Selects strategy gives you an easy way to zero in on top stocks in the best-performing sectors.

Good investing,

Mike Burnick
Senior Analyst, *TradeSmith*

P.S. If you have any questions or concerns, please reach out to me at **emailmikeburnick@tradesmith.com** and include "Inside TradeSmith" in the subject line.