When to start buying stocks again or how to prepare to catch the great opportunities.

Signs that show that it is time to buy stocks. First, let me start with how to prepare to invest in the stock market, and then I will share things I pay attention *to that tell me when to start buying stocks again.*

The best thing that traders and investors can do now (then the United States stock market is falling) is to prepare to enter the market and start investing when the time comes. I can share some great resources to help you prepare:

- The first tool is the ***iOS application*** “Stock Target Price” with this app; you can find undervalued investment ideas, define stock entry and exit points, and calculate stock target price and growth potential.

- The second tool is ***Diversset***. Diversset is a stock and ETF screener and portfolio builder that allows users with no financial knowledge to find great stocks and ETFs and construct an efficient portfolio.

Now. Let us now consider things (indicators) that can tell you when it would be a great time to invest. But before we start, one important reminder, never consider one indicator separately from the others, always have a detailed picture and consider the problem from a wide angle. Examine all the indicators (listed above) and apply them together to find a great time to start buying stocks.

1. ***US treasury yield curve.*** Examine the US treasury curve. Plot the yields against the maturities and examine the slope of the curve. If it is flat (a shorter yield is almost the same as a longer yield), the investor confidence is low, and the stock market is at the pre-crash level. If the slope of the curve is inverted (a shorter yield is larger than the longer yield), it means that the market will continue to fall, and investors see more risks in the long run than in the short run. If the slope is normal (a shorter yield is smaller than the longer yield), the market is in normal shape, and investors have confidence in the stock market.

Another thing you should pay attention to is how fast the yields are falling or rising. If you examine the current market trend (as of the 20th of May 2022), you will notice that the yield curve is Normal, but the rates are rising very fast. The cost of money increases and the money market investors are selling their stocks. Currently, the US stock market experiences high inflation pressure and speculative capital injected during COVID 19 lockdown. That is why many bigger (popular stocks) names seem overvalued now, and stocks are falling rapidly as speculative capital outflows the market. More prominent institutional players are also not very active in the stock market because rising money market rates increase the popularity of interbank borrowing and lending. And higher rates that are driven by inflation pressures make the cost of money go higher. Wait until the market trend normalizes, when the yield stop rising rapidly and inflation return to its normal pace (2-3% range for developed countries in general).

2. ***CDS spread.*** CDS stands for credit default swap. In simple words, when the market conditions are tough, and the credit risk (default risk) is rising, investors require insurance to cover their losses. They pay some percentage to the counterparty as insurance, and

the counterparty will cover the debt in case of default. This insurance Is called the spread. When the spreads are widening, this is bad because investors' confidence decreases. If you examine the current US market CDS spread, it is very high at 16.88%, but it is not as high as it was on the 16th of March 2020, when it was 22.143%, or not as high as it was on the 26th of June 2017 for example, when it was 23.375%. This tells that the US market is currently experiencing challenging moments, but they are not very bad, and still, investors are willing to invest. If you did not buy stocks yet, wait until the CDS spread falls to its 2-3 year minimum.

3. ***Economic trend.*** The trend is more important than the separate data. Short-term traders pay attention to individual releases, but longer or mid-term traders pay attention to the trend as it can indicate that the investor sentiment is returning to the market. Pay attention to the inflation trend; it should keep falling or be in the 2-3% range (for developed countries). Pay attention to the GDP; rising or stably growing GDP indicates that the companies are doing great, creating new jobs, and this will result in positive financial data; the unemployment rate should also be stable or falling, and money market rates (interbank borrowing and lending rates) should be stable, and the trading volumes (money market trading volumes) should be regular. A rapid increase in trading volume would indicate that the market participants (banks and brokerage companies) are experiencing a liquidity shortage. This is not good for the stock market, as they will start selling stocks to bring the liquidity back to normal. Also, pay attention to individual companies' financial data if you are interested in buying stocks.

4. ***Options trading.*** Calls vs. Puts. Stock options are a good indicator of the short-term trader's confidence. When investors are interested more in equity call options, they believe that the stocks will rise. Conversely, if they are interested in put options, they want to protect themselves from the falling stocks. That is why when the Put/Call ratio rises, this indicates that investors expect stocks to fall. I would personally monitor the P/C trend for a few weeks, and if I see that the P/C ratio exceeds 0.8, I would wait and open the position when the P/C falls below 0.8.

I provided you with the list of tools that I use to define the good time to start investing. Remember that you should not use one tool and forget about the other; use a complex approach and analyze the stock market from different angles. Don't hesitate to get in touch with me for suggestions or cooperation. Email: **skobzhan@diversset.com**