

# INVESTMENT VIEWS


FEBRUARY 28 2025

## POLITICS RULE THE ECONOMY FOR NOW

Previous newsletters have mentioned the growing influence of politics over the economy. This is not a phenomenon linked to any particular party, but rather a trend that has existed for over a decade and strengthened since the COVID pandemic. Through a variety of means, whether it be through federal spending, laws, regulations, taxes, or incentives - politics now plays a greater role in the direction of the economy and the financial markets. Contrast that with a macroeconomic based model, where market forces (supply, demand, capital investment, employment, etc.) determine the direction of the economy.

While the federal government has always played a role, political instincts on both sides of the aisle have become much more activist, aiming to correct perceived economic imbalances, environmental issues, labor problems or advance certain favored or “critical” industries. Some or all of these issues may need legitimate attention from authorities, however we remain wary and skeptical that governments can accomplish their goals without imposing or creating a different set of issues. That said, as we have written numerous times in the past, as investors it is not for us to prescribe or pontificate what is right or wrong but rather adapt and seek to profit from such changes. Of course, other important factors such as incoming macroeconomic data and Federal Reserve policy still matter to investors, however for now politics rule day.

## BETTING ON A BIOTECH TURNAROUND

 Recently, we added Biogen (BIIB) to our holdings, believing that this storied biotech will be making a big turnaround after suffering through years of decline. The company made a name for itself in compounds that treat multiple sclerosis and other serious autoimmune disorders. However, as the patent life of these drugs ended, the company has struggled to replace them with other breakthroughs. Most recently, Biogen gained approval for one the first novel treatments for Alzheimers called Leqembi. So far, there has been some skepticism in the U.S. on its efficacy, however there is recent affirmation it will be approved in Europe. Biogen is working on fine tuning the administration of Leqembi for what they believe will be a game changer. Furthermore, the pipeline holds multiple potential major treatments for depression, spinal muscular atrophy, and another for Alzheimer's.

Investor sentiment on BIIB is at an all-time low, so even modest success in any of these initiatives can begin a significant turnaround in the share price. Currently, we do find the risk/reward to be very attractive on Biogen and are looking forward to a year of positive catalysts.

## UBER PROFITABILITY

Over the past decade Uber (UBER) has set out to change the way we think about transportation. It has expanded relentlessly, now offering its ride sharing services in 70 countries. Yet, for years Uber had lost money as it grew, invested and disrupted the taxi business, all while creating new opportunities for millions of people.

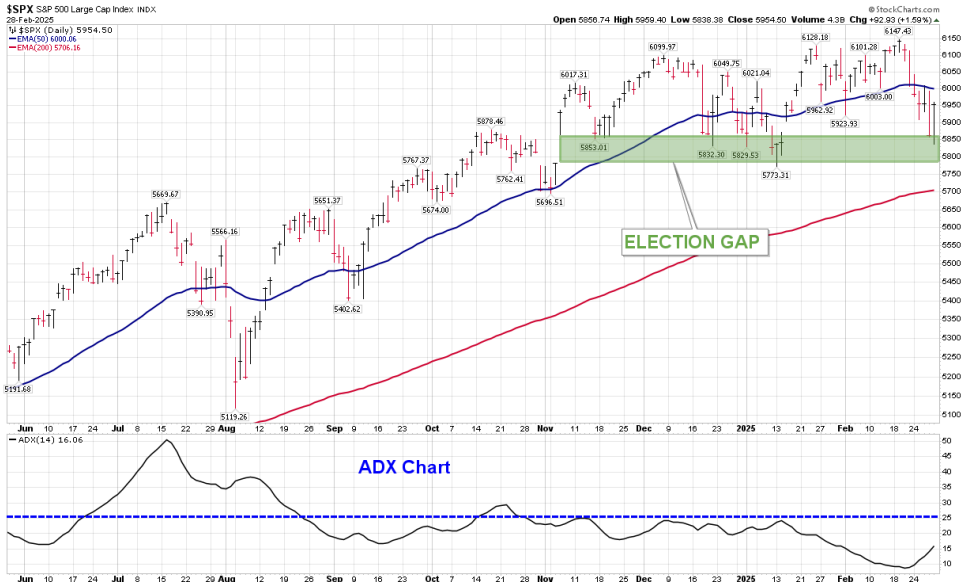
We recently took a position in Uber after management has made clear that its focus will be on profitability. Autonomous vehicles (AV) look to be a game changer in driving longer term profitability and UBER is partnered with some of the most promising names in AV technology, including Waymo, GM Cruise, Nvidia and WeRide and it is likely that at least a couple of these partnerships will lead to scaled deployment of AVs over the next few years.

Uber is a great example of our value based approach in action. While Uber has been growing for years, it is the pivot towards profitability that sparks our interest. Currently, we anticipate adding to the position opportunistically as the current narrative evolves.



# TECHNICALLY *Speaking*

The S&P 500 recently hit all time highs even in the face of uncertainty surrounding tariffs, inflation, spending cuts, and international conflict (just to name a few). But the market hates uncertainty and is once again testing the support created by the gap up that followed election day and also coincides with the pre-election high in the S&P. This along with the 5700 level are important areas to watch going forward as violating them will show a change in character for the market.



Looking at other indicators can give a clue as to the ultimate resolution the market might take. The panel labeled "ADX Chart" to the left is the Average Directional Index (ADX) and is used to determine the strength of a trend. In general, when this reading gets over 25 (the blue horizontal line) it is considered a strong trend. Most concerning to us over the past few months is that even as the market has continued to climb to new highs, the ADX has failed to get above 25. This is a worrying sign that buyers exhausted. In fact, even the election gap upward could not register above

this level. Over the last week of February, the ADX has started to climb quickly again, but unfortunately this is during a sell-off. We are keeping a close eye on just how strong this gets and if it will pull the market even lower.

If we look at a longer term chart, you can clearly see we are in the midst of a strong bull market. That said, there are always needs for pullbacks and even the current sell off is quite minor. Should the market fail to hold support at the election gap then the two key moving average are where we feel are the next stopping points could be.

The 200-day moving average sits around 5700 and the 50-month moving average around 4800 and corresponds to the peak in 2021 and should provide very strong support. As this would mean a 20%+ correction, we are watching the 5700 level for a sign of a change in character for the market.



**Recommendation List:** A list of all previous specific investment discussions published over the past 12 months will be provided upon request. Please email [lara@mhandassociates.com](mailto:lara@mhandassociates.com) or call our office for this list.



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