

# Rochester Financial Services

Fee-Only® Financial Management Services

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October 4, 2021

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
34,003	4,300	14,255	2,217	1.48%	49,385	\$1,766	\$77.67



## Investment Strategy Report

### With Plenty To Worry About, Market Finally Succumbs. My New Office

I should have known better last month than to “jinx” the stock market with my newsletter headline “Can Anything Stop This Market? S&P Win Streak Hits 7 Straight Months”. It points to the contrarian nature of stocks. Just when it looks like nothing can stop the rise in prices, volatility returns.

Going into September, we knew that this month is historically the worst month of the year for stocks. We also knew that there were problems facing our economy, and thus, the stock market. Louis Navellier addressed these concerns in a podcast today, in which he listed these issues as 1) the fight over the debt ceiling, 2) the rise in Treasury yields, 3) overwhelming inflationary pressures, 4) rising energy prices, and 5) supply chain bottlenecks. But when the stock market keeps rising, it is easy to follow the trend and get complacent.

Stocks prices peaked on Sept. 2<sup>nd</sup>, and then fell for the rest of the month. September saw losses for the major indexes of 4.8% (S&P 500), 5.8% (Nasdaq) and 4.6% (Dow). And stock volatility has continued for the first 2 trading days of October. And just as investors became complacent when stocks were doing well, investor sentiment has turned negative as stock prices have fallen. In today’s Sentimentrader.com report, they state that “For the first time in over a year, investors are showing risk-off behavior, and there are widespread signs of at least modest pessimism. After other long streaks of optimism and risk-on behavior, stocks had a strong tendency to rebound over the medium to long term”.

So just as investors become too optimistic when stocks are going higher, they also tend to get too pessimistic after months like September. We forget that although it appears that Covid will be with us for a while longer, the situation will improve as more people get vaccinated, boosters shots begin getting administered, and therapeutics, like Merck’s new Covid pill, come to market. And economic growth, which has already surged in the past year, as everyone wants to get back to normal, will continue to accelerate. Unemployment rates are coming down and we currently have more job openings than people who are unemployed.

Bob Brinker typically bases his market forecasts on the likelihood of a recession. His analysis of the economy sees “an absence of pre-recession evidence [which] remains the key to our constructive outlook. He points out that the housing market remains robust, stating data from the NAHB Housing market, housing starts data, and new home sales. In addition, the Leading Economic Index (LEI) showed “a 6 month rate of change that rose to 6.4%, which is near its fastest pace since March 2004”.

Lastly, two of my Stansberry Research analysts are feeling good about the prospects for the stock market. Steve Sjuggeder, in his September True Wealth issue stated that his previous call for a 2021 Meltdown was incorrect, and is back in full bull mode. And technical analyst Greg Diamond thinks that selling has been very much overdone, especially in the Nasdaq, and expects a 1999 type blow off top to occur before any bear market occurs. So some good news for overly pessimistic investors.

**New Office Location** – After 25 years at Hastings Circle, I moved this past weekend to a new house in Pittsford, at 4 Old Brick Circle, Pittsford, NY 14534. Hopefully, my new stationery will be available by next month. While I wasn’t able to keep my 442-7580 phone number, when you call that number, you will be forwarded to me, so please continue to use that number. If you have mailed something to my old address, it should get forwarded to me. If not, my wife is remaining at Hastings Circle and will get it to me. I will try to make the transition as smooth as possible for you.

**Required IRA Distributions** – While I have been busy lately, I will soon be getting to your required annual distributions (which were waived last year but are required this year). If you haven’t already made the withdrawals, I will soon be contacting you. Also, if you want to make qualified charitable distributions from your IRA, you will need to get me the list of charities and the amounts, and I will get you the form to sign. *Jeff Feldman*

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