

November 4, 2023

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
34,061	4,358	13,478	1,761	4.56%	34,990	\$2,000	\$80.99

## *Investment Strategy Report*

### *Will November Bring An End To The 3 Month Stock Slump?*

Well, it's taken 3 months, but I finally have something positive to say about the stock market.

Looking back to the end of July, all the major stock indexes were sitting on solid gains for the year, having experienced a strong rebound from a very weak 2022. But the fun ended in August, as rising interest rates put the kabosh on stock prices. The 10 year Treasury note was yielding 3.96% on July 31<sup>st</sup>. But beginning in August, rates began to surge higher. In that 3 month period from 7/31 to Oct. 25<sup>th</sup>, the yield on the 10 year Treasury rose to 4.95%. As we well know, rising rates, with the concomitant fear of rising inflation, do not bode well for stocks. During that time period, the S&P 500 entered correction territory, dropping 10.3%. The tech-heavy Nasdaq fared worse, dropping 12.2%. And the small cap Russell 2000 index almost entered bear market territory, dropping 18.3%.

But things began to turn around last week (week ending 10/27). On Thursday, 10/26, the 10 year yield almost hit 5.0%, topping out at 4.98%, before undergoing a reversal and ending the day yielding 4.85%. This move in bonds helped to stabilize stocks, setting the stage for a big rebound this past week (beginning on 10/30). During the past 5 trading days, the S&P 500 is up 5.9%, the Nasdaq is up 7.0%, and the Russell 2000 is up 7.6%, while the 10 year yield has dropped to 4.56%. The drop in interest rates is just what the doctor ordered for stocks.

Yesterday's weaker than expected jobs report was looked at as presenting a Goldilocks scenario: an economy exhibiting good growth but not strong enough to cause the Fed to continue to raise rates. Investors now seem to think that with the Fed's rate increases beginning to slow the economy, they may not have to raise them any further, which of course is good news for stocks. With the 10 year at 4.56% and the 2 year at 4.83%, it would be hard for the Fed to fight the market and raise the Fed funds rate any higher than its current yield of 5.35%.

And did I mention that November is the second best month of the year for stocks (after April)? The hope now is that last week's market surge will mark the beginning of a year end rally (I was a few weeks early in last month's letter). I have been closely watching the analysis of Greg Diamond of StansberryResearch.com (Ten Stock Trader). His technical analysis has been showing for weeks that a stock rally was in the cards. And this past Thursday (11/2), he wrote "I won't say with 100% certainty that all stocks have bottomed, but I will say with a very high degree of certainty that the major indexes have bottomed". "So what we looked at as a possibility is coming true – interest rates have topped (bonds bottomed) and stocks are bottoming as well".

Greg called for this rally on 10/23, saying "Technically, stocks are oversold. We're teetering on "Extreme Fear" based on CNN's Fear & Greed index. The positioning of both stocks and bonds are at bearish extremes. So get ready to be a contrarian and take the other side of this fear with call options (buying the market)".

Wharton professor Jeremy Siegel (10/30) on CNBC said that he also expected a year end rally, stating that the market is selling at a very "persuasive" valuation of 16.5 next year's expected earnings. And if you subtract out the top 7 (Apple, Microsoft, et al), you get a P/E ratio of 14. And for small caps, the P/E is closer to 11 or 12. He is looking for next year's earnings to be better than expected, giving the market that much more upside potential. He added that with the 10 year TIPS yield of 2.5%, inflation should not be a problem.

**You Can Take Your RMDs Now** – As we get closer to the end of the year, please go ahead and make your required withdrawals. I did make the cash available in your IRA accounts. You can either go online or call Schwab (800-515-2157) to take care of them. Let me know if you need my help with this. *Jeff Feldman*