March 29, 2024	Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
	39,807	5,254	16,379	2,125	4.21%	69,349	$2,255	$83.11

Investment Strategy Report

S&P 500 Closes Out Best 1st Quarter Since 2019. Uptrend Shows No Signs Of Slowing

The stock market train keeps on chugging along, as stock prices, along with most asset classes, continue the trend from 2023 to move higher. Terms such as “a Goldilocks economy”, being not too hot and not too cold, and the Fed engineering a “soft landing”, are being heard on Wall Street. The worries 3 months ago about an imminent recession have faded, as economic data continues to come in stronger than expected. And of course, the promise of AI and the wonders that that new technology will bring, only adds to the ebullient mood among investors.

The S&P 500 was up 10% for the quarter, powered by mega cap tech companies like Nvidia, which was up 82%. However, the rally has now broadened out to the small cap universe, with the Russell 2000 small cap index outperforming the large caps for the month of March. We also saw gold break out to the upside, oil prices climb, and Bitcoin prices sky rocket. Possibly most importantly for stocks, we also have seen interest rates stabilize, causing bond prices to also rise. A calm bond market will signal a stable inflation outlook to the Fed, which will allow them to begin cutting interest rates, which should be good news for stock investors.

Whenever anyone paints such a rosy scenario about the stock market as I am now, you should know that maybe it’s time to worry. After all, Warren Buffett often says that you want to be greedy (invest) when there’s blood in the streets, and now is definitely not that time. And many of you have called to ask me, isn’t it time that we have a correction, after such a run up in stocks? But on the other hand, momentum is a powerful force when it comes to investing, and the consensus among the analysts I follow is that the powerful move in stocks that we’ve seen in the last 5 months indicates that higher prices are very likely to be seen for the rest of the year.

Brett Eversole of StansberryResearch.com addressed the crowds who say that the rally is “just too much”. He pointed out (3/20) that the Nasdaq 100 was up 55% last year and is up double digits this year. It currently is stretched 21% above its 52 week moving average – a massive amount. However, for those who think that it has gone too far, too fast, history says otherwise. “The Nasdaq 100 has been this stretched 27 other times since 1985”, he stated, “and 12 months later, the index on average was up 16.0%”. Brett’s March 27th essay discussed the stellar performance of the S&P 500 and pointed out that “stocks have stayed within 2% of an all-time high since January 8th. We have only seen 11 other streaks this long in the past 30 years, and the gains have a history of continuing”. One year later, the S&P was on average up 16.5%, vs. 8.4% for all periods, nearly doubling the returns. “And stocks were up 100% of the time a year later” he added.

Katie Stockton, technical analyst at Fairlead Strategies, is a frequent guest on CNBC and has been very prescient with her market calls. During her appearance yesterday (3/28), she only had positive things to say about the current market environment. The recent broadening trend has resulted in incredibly strong market breadth, with the Advance/Decline line reaching an all time high. The small caps are exhibiting strength which is bullish for risk assets. She sees interest rates in a continuing downtrend and wouldn’t be surprised to see the 10 year Treasury yield hit 3.5%. Her target for the S&P 500 for some time in 2025 is 6,120, which is over 15% higher from here.

And the folks at Sentimentrader.com offered pretty much the same bullish optimism. Dean Christians (3/26) stated that “The price momentum (RSI) has maintained a level above 50 for 98 straight trading sessions, an occurrence exceeded only 5 other times over the last 96 years. After similar precedents, the S&P 500 was higher every time over the ensuing 2,3,6, and 12 months. So despite all the calls for corrections and bear markets, history suggests the upside momentum persists. And Jason Goepfert added (3/25) that the S&P 500 has rallied for 100 days off the Oct. 27, 2023 low, and “Other 100-day rallies that were strong and broad preceded even more gains, almost without exception”.

To quote Peter Lynch, one of the greatest investors of all time, “Far more money has been lost by investors anticipating a correction, then by the corrections themselves.” *Jeff Feldman*