May 6, 2024

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
38,852	5,181	16,349	2,061	4.49%	63,404	$2,335	$78.79

Investment Strategy Report

April's Stock Correction Is Short-Lived As Stocks Rebound In May

After 5 strong months of gains, from November through March, stocks finally faltered in April. During that 5 month stretch, the S&P 500 was up over 26% while our growth funds were up from 30 to 37%. So it was only natural to expect stocks to pull back at some point. After topping out at 5,309 on the last trading day of March, the S&P hit a low of 4,964 intra-day on April 19th, a 6.5% drop. While many analysts figured that the market was headed for a 10% correction, that was as far down as stocks went, as the S&P has recovered 4.4% since then, to close today at 5,181. The small cap Russell 2000 index got hit harder in April, falling 9.1% from its March 28th peak to it's April 19th low, before rebounding 6.7%.

The surge in stocks for the first 4 trading days of May is encouraging, especially since many traders adhere to the maxim of "Sell in May and go away". Over the past 70 years, a pattern has developed in which stock returns from May 1st to Oct. 31st have been significantly less on average then returns from Nov. 1st to April 30th. However, this effect has become less pronounced since 2000, and in some years, adherents to this strategy have missed out on sizeable gains. The consensus among the analysts that I follow is that the market uptrend is continuing, so 2024 might be another year that bucks this trend.

After a tough April, this past Friday's (5/3) employment report seemed to be the life preserver that helped to buoy the market. Job growth of 175K jobs was less than the 240,000 jobs expected, and in this inflation-sensitive world we are now in, in which "bad news" is good news, stocks rocketed higher. The key here is that slower than expected job growth was good news from an inflation perspective. Therefore, interest rates fell and expectations for Fed rate cuts rose, causing stocks to rise. At the same time, 175K job growth was still seen as a solid number, so this best of both worlds number was seen as "just right".

The seemingly forever bullish Tom Lee of Fundstrats reaffirmed his bullish market views this morning (5/6) on CNBC. He believes that the CPI numbers are biased to the upside because of lagging housing data and auto insurance rates that are up 21%. These figures won't keep on going higher and once they normalize, we will see inflation come down to 1.8%. He also sees earnings growth accelerating, and expects to see an 11% increase next quarter. Combining this data with the fact that there is still $6 trillion of cash on the sidelines (investors are still cautious), adds up to more upside for stocks ahead.

The analysts at Sentimentrader.com also feel that the recent correction was only a minor pull back in an ongoing bull market. On April 22 (just about at the correction bottom), Jay Kaeppel wrote that "There is a clear pattern in place. The broader market is still in an uptrend. This is a textbook scenario of a standard market pullback and ultimately a buying opportunity". On the same day, Jason Goepfert wrote "Similar quick pullbacks after strong rallies showed a consistent tendency to rebound in the months ahead". "After a miserable year like 2022, the dangers of complacency are still fresh in many minds. When we look back at historical tendencies, however, we can see how rare it would be for anything like that to repeat. When buyers were confident and liquid enough to push stocks to record highs and well above trend, the first real pullback showed a strong tendency to attract more buyers, not sellers".

And in a column written today (5/6) Jay Kaeppel wrote "Option sentiment indicators suggesting a continuation rally". "The broader market is still in a price uptrend and option sentiment indicators have now flashed bullish signals."

Pullbacks like we saw in April and the commensurate volatility that goes along with market losses are standard fare in stock market investing. The bull tries to buck those who are riding it during stock market corrections. It's not always easy to ride the bull, but at this point, it seems like the prudent thing to do.

Inherited IRA RMDs For 2024 – The IRS has again waived required distributions from inherited IRA accounts for 2024. This only applies to beneficiaries of decedents who passed away in 2020 or later. *Jeff Feldman*