July 3, 2024

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
39,308	5,537	18,188	2,037	4.36%	59,649	$2,369	$83.88

Investment Strategy Report

Growth Stocks Lead The Way For A Stellar First Half

Stocks motored higher in June, continuing in their winning ways, closing out the first half of the year with solid gains. Including the first 3 trading days of July, which has seen a continuation of the market uptrend, the S&P 500 is now up 16.8% for the year. The tech heavy Nasdaq is doing even better, now up 19.8%. The more value-oriented Dow Jones average and the small cap Russell 2000 have lagged, with the Dow up only 5.2% in 2024 and small caps up only 1.2%.

Having growth in your portfolio has paid off in a big way for investors. Up until this past month, stocks like Nvidia, Microsoft, and Amazon were powering the rally while previous stars like Apple and Tesla lagged. While Apple basically regained its lost ground when I last wrote to you, the stock exploded higher in June, moving from $194 to its current price of almost $222. Tesla had been a loser for most of 2024, down about 30% at one point. It has since gained about 40% in the last month. The Mega-Cap tech companies, which had dropped from the Mega 7 to the Fantastic 4 or 5, now appear to be back at full strength. And with technology now representing such a large percentage of the S&P 500, the whole market benefits when growth stocks surge higher. The outstanding performance of these stocks has helped our 4 growth funds return an average of about 25% thus far for the year.

I mentioned last month that Tom Lee of Fundstrats had predicted that the S&P 500 would hit 5,500 by the end of June, a 4% increase from its value on June 4th. The S&P accomplished that and then some, as it now stands at 5,537. Tom is an analyst that I always pay attention to. On June 11th, he reiterated has faith in an eventual small cap rally. He stated that they exhibit better growth prospects than the S&P 500 companies, 19% vs. 9% for the S&P, and better valuation, a PE ratio of 10 vs. 16 for the S&P. When the Fed begins to cut, small caps will outperform.

Greg Diamond of Stansberry Research wrote on June 10th that “New Market Highs Don’t Mean You Should Sell”. While your gut might be telling you to lock in profits when the stock market hits new highs, most of the time, you should do the opposite. He stresses that he trades the trend. Even when stocks appear to be overbought, he cited a time a few years ago when stocks remained in overbought conditions for nearly one year! Selling too early during a market rally can cost you significant gains.

Brett Eversole, also of Stansberry Research, wrote on June 20th “These Are NOT Signs of the Top”. “Stocks have been soaring for nearly two years. But if you think investors have gone “all in” on stocks, you’d be dead wrong”. “Instead, folks are looking for safety. We know this because they’re buying bonds much faster than stocks. And they’re piling up cash at the highest levels in history”. “This isn’t what happens near a stock market top. It shows why this bull market has much further to run.” He went on to explain the contrarian nature of investing, that when everyone is nervous about the market and they are investing in safe fixed income investments, then stocks usually do the opposite and continue higher.

The market technicians at Sentimentrader.com also cite reasons to be bullish on the market. Dean Christians (6/25) wrote that a key technical indicator, the McClellan Oscillator, after closing below zero for 20 straight sessions, recently shifted higher. “Similar breadth-based reversals near a high saw the S&P 500 rise over the next 3 months. The S&P 500 equal-weighted index (containing more small and mid size companies) consistently outperformed the S&P 500”.

In full disclosure, there are analysts who feel that the market “needs” to correct. Craig Johnson of Piper Sandler cited various reasons (CNBC, 6/28) why he is feeling uneasy now, including the narrowness of market leadership, the number of stocks above their 200 moving average, transports lagging the Dow (a Dow Theory warning), etc. There will always be reasons not to invest. But trying to time it has most often proved fruitless. *Jeff Feldman*