

October 1, 2024

Dow	S&P		Russell	10 yr			Crude
Jones	500	NASDAQ	2000	Treas	Bitcoin	Gold	Oil
42,157	5,709	17,910	2,197	3.73%	60,398	\$2,688	\$71.27

Investment Strategy Report

Stocks Reach Record Highs As Mideast Tensions Ratchet Higher

As I begin to write this letter, world geopolitics is again having an impact on financial markets. During the last hour, Iran sent a barrage of missiles at Israel, and at this point, it seems like Israel has intercepted them and has prevented any human casualties or major property damage. This comes, of course, after Israel has begun its campaign in Lebanon and the fighting in Gaza continues. As we approach the one year anniversary of the horrific Oct. 7th start to this war, my aim here is not to comment on the tragedy of the situation in the Middle East, but as you know, to discuss my current investment strategy. A client called me about 45 minutes ago and asked, based on the events of today, what changes would I be making to her portfolio.

You probably can guess my answer. It's the same answer I give whenever a client asks me about various worldwide events, whether it's the war in the middle east or Ukraine, the upcoming presidential election, hurricanes, etc. Watch the news and read the headlines to stay informed as a responsible citizen. But when it comes to investment strategy, ignore the headlines. The reason for this is that you will invariably let your emotions influence your decision and do the exact opposite from what a prudent strategy should be. This is because 1) it's almost impossible to determine what effect the event will have on the stock market, and 2) the market *is* the smartest person in the room, and thinking that you know better is always a fool's errand.

So what is the smartest person in the room telling us now? For starters, we just got through the month of September, historically the worst month of the year for stocks, not only unscathed, but with significant gains, for both stocks and bonds. A month ago, as we entered into September, the general "consensus" was that after stock market gains in 7 of the previous 8 months, stocks were due to pull back. Getting through September was going to be difficult. But the consensus was wrong and has been wrong for much of this bull market run. As I continue to point out in these reports, the market is sending us a clear message, and that message is that staying the course during this bull market is the right strategy.

The analysts at Sentimentrader.com of course go into a lot more detail. They have published a number of reports in the last month indicating that this bull market has more room to run. Two reports were issued today (10/1). Jay Kaepfel pointed out that the S&P 500 has closed higher during 8 of the first 9 months of 2024, and for the last 5 consecutive months. "Historically, following these events, the stock market has typically continued to trend higher". "Momentum is a real thing in the stock market. Many investors start to get skittish following a significant advance, assuming a pullback must be in the offing". However, "the above results suggest that long-term investors sit tight and continue to give the bullish case the benefit of the doubt". Dean Christians wrote that his price momentum indicators for both equal weight S&P 500 and the Russell 2000 "triggered bullish long-term price momentum signals. Following similar precedents, the indexes rose 100% of the time over the ensuing year". This offers "confirmation that the broader market environment remains supportive." "If stocks consolidate or pull back ahead of the election, investors should consider seizing the opportunity to buy the dip".

On 9/24, Dean Christians wrote that "a market breadth signal with a perfect record just triggered". "Similar alerts produced a 96% win rate for the S&P 500 over the subsequent year". When an alert occurred with the S&P 500 within 2% of a 5 year high, the index rose "100% of the time over the following 2, 6, and 12 months". Brett Eversole of Stansberry Research (10/1) is also bullish on stocks. His note today addresses the 122 basis point drop in mortgage rates over the last 12 months. "Obviously, lower rates are good for the housing market. But they're also darn good for stocks." "Similar instances led to stock gains of 3.1%, 5.5%, and 15.7% over the next 3, 6, and 12 months. That's impressive outperformance versus what we typically see in stocks".

IRA RMD Time – It's that time of year again for those who are required to make distributions from their IRA accounts. For those born in 1951 or earlier, that means you. During the next few weeks, I will be making the cash available in your accounts. For those of you with inherited IRAs (and the original account owner had passed away prior to 2020), I will be letting you know what this year's RMD is. *Jeff Feldman*