

November 4, 2024

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
41,795	5,713	18,180	2,219	4.31%	67,740	\$2,758	\$70.20

Investment Strategy Report

Stocks Hang In There Despite Spike In Interest Rates. Markets Await Election Outcome.

It's Monday night, on the eve of the election, and while investors, and everyone else it seems, are on edge, the markets appear to be taking it all in stride. Of course, it very possibly can be the calm before the storm. But as I have been telling my clients who have expressed a concern, the results of the election might not have a major impact on the financial markets. Stocks have done well under Democrats, Republicans, divided Congress, etc.

And of course, even if it turns out that the election does have an effect on the market, trying to forecast that ahead of time is nearly impossible. If you cash out of your investments before the results are in, you might turn out to be a hero, but the odds are against you. According to Adam Kobeissi (CNBC 11/4), stocks typically do well in election years, and from election day to year end, are up 70% of the time, gaining on average 4%. He sees that getting the election out of the way will be a de-risking event, a reason to keep buying. He advises not to fight the trend.

And the trend in 2024 has been a good one for stocks. Thus far this year, the S&P 500 is up 21% and several of our growth funds are up 30% or more. The reason that stocks are doing so well is that earnings are coming in better than expected, the economy is growing steadily, and consumer spending is good. Louis Navellier (10/30) adds that "global tensions could wind down in the coming months and therefore the market could surge as economic, political, and global uncertainties diminish".

Any effect that tomorrow's election will have on the markets will have to contend with a strong uptrend that has been pushing stocks higher all year. Jay Kaepfel of Sentimentrader.com (10/29) cites insider buying activity and the performance of IPOs to state that "the evidence strongly suggests that longer term investors continue to give the bullish case the benefit of the doubt and that shorter term traders continue to focus on the long side of the market". Back on Oct. 17th, he wrote about the number of new highs and lows on the Nasdaq 100 and the S&P 500. "Momentum is a real thing in the stock market. When the market anticipates higher corporate profits, the major indexes run to new highs. These 2 indicators suggest that this is the environment we are in at present".

On October 21st, both Jason Goepfert and Dean Christians (Sentimentrader.com) came out with bullish reports. Jason stated that "the S&P 500 has gone 30 sessions without suffering back-to-back losses. This is one of the longest streaks in history, with the Nasdaq not far behind. Similar streaks preceded gains over the next 6-12 months almost without fail". Dean's report stated that "the S&P 500 has now closed above its 200 day moving average for 242 consecutive sessions. Similar win streaks saw the S&P 500 rise 85% of the time over the next 6 months. In situations like these, the markets often defy expectations, pushing higher for longer than most investors anticipate".

Interest Rates – In the 5 weeks since my last report, the yield on the 10 year Treasury note has surged higher, from 3.73% to its current yield of 4.31%. Rising rates are not good for stocks and are adding to the anxiety that many investors are feeling. However, Dean Christians (10/30) reports that this can actually be good news for stocks. "Similar spikes in the 10 year Treasury yield near the outset of a Fed easing cycle have often reversed, leading to lower yields over the subsequent months. Notably, these reversals have correlated with S&P rallies, especially over the following year. This trend likely reflects a healthy economy that fuels corporate profits, fostering a more favorable stock market environment".

IRA RMD Time – I have gone through all of your accounts and have provided the cash necessary to make your required IRA withdrawals. If you haven't already done so, now is a good time to take care of this. Please let me know if you have any questions about this. *Jeff Feldman*