

November 2, 2025

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
47,563	6,840	23,725	2,479	4.10%	111,530	\$4,202	\$59.14

Investment Strategy Report

Government Shutdown Can't Keep The Market Down As Stocks Hit New Highs

Many investors get spooked during the month of October as the ghosts of October pasts haunt them. Throw in a government shutdown that began October 1st and a hawkish Federal Reserve chairman and you had the makings for what could have been a scary month. However, it was not meant to be, as this powerful bull market kept on motoring higher. For the month, the S&P 500 was up 2.3%, the tech-heavy Nasdaq rose 4.7%, and the Dow ended 2.5% higher. All 3 indexes finished within 1% of an all-time high. So what is fueling this seemingly relentless rally?

If you're thinking that this market is just levitating on no real substance and is ready for a fall, you're not alone. Tom Lee of Fundstrats appeared on CNBC this past Friday (10/31) and continued to call this market move the "most hated rally". He mentioned the recent AAI sentiment survey showing a negativity score of -11.7, indicating that investors are significantly bearish. He noted that the 3 other times in the 35 year history of this survey that bearishness was this high were in 1990, 2002, and 2022. All 3 times marked stock market bottoms that proved to be ideal buying opportunities. And we are getting this reading now when the market is at all time highs. This extreme negativity fuels the wall of worry that this bull market can continue to climb. He also feels that there is the potential for a year end chase, as 80% of fund managers are trailing their benchmarks, their worst showing in 25 years. Tom added that companies are coping well with the tariffs and are already seeing productivity gains due to AI. While the markets might be due for a breather, he feels that the market uptrend has more room to run.

When trying to explain a market move, one should always first look to earnings to determine the health of the market. In his Oct.24th weekly update, Louis Navellier talked about the corporate 3rd quarter earnings reports and stated that for those companies reporting thus far, "earnings have increased a nice 14.9% year-over-year, and S&P 500 companies have posted an average 7.4% earnings surprise". "According to Bloomberg, this is the strongest start to an earnings season in four years!" Ryan Dietrich echoed these sentiments during his 10/22 CNBC appearance. "We have record earnings, record profit margins, and continued strong guidance. This is still a bull market and I'm still optimistic that we are going to see a pretty good sized 4th quarter rally". He added that market breadth (advance/decline line for the S&P 500) just hit an all-time high. Also, credit spreads are not showing any signs of stress in the bond market. With November and December historically strong months, the odds favor a continuation of the uptrend.

Bond market guru Rick Rieder (Blackrock, CNBC 10/20) was impressed with the level of earnings. "I'm pretty much blown away". "The economy saw an increase of 3.8% in GDP in the 2nd quarter and is on a path to grow 3.3% in the 3rd quarter". He feels that this strong level of growth is coming at time when the "Fed needs to bring rates down". "Plus the large amount of cash on the sidelines will continue to drive the markets higher". And even though we saw some stress in the private credit market last month, he said that "I feel pretty good that we're not going to see a problem. Big banks are doing great but even smaller regionals are doing OK. The concern about the regionals is definitely overdone. There is no bubble".

For those of you who thinking that investing with the market at all-time highs is risky, think again. "Stocks hit new all-time highs last week. That might spook most investors... But as we'll see, this is exactly when you want to buy" said Brett Eversole (Stansberry Research, 10/29). He looked at 100 years of S&P 500 history and looked at performance after the market hit a 52 week high vs. a 52 week low. The results showed that buying at 52 week highs slightly outperformed all other times while significantly outperforming when buying at 52 week lows. Buying high isn't risky "because rising prices tend to keep rising".

Required IRA Distributions – Many of you have taken care of this, but for those who haven't, please let me know if you need my help. *Jeff Feldman*