

October 1, 2026

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
50,877	7,629	26,853	2,805	5.22%	84,732	\$4,203	\$90.77

Investment Strategy Report

Stocks Hold Their Own Despite Bond Sell-Off. The Best Year For Stocks Starts Now

Stocks made it through the month of September, the worst month of the year for stocks, largely unscathed. The broad market, as measured by the S&P 500, inched lower, down 0.4% for the month. The Dow 30, though, was down a much larger 4.3%, as it was dragged down by value and financial stocks, such as Goldman Sachs, American Express, and JP Morgan, down by an average of 8.8%. The ETF for financial stocks, XLF, was down 7.1%. However, if you had an overweighting towards growth, as we have in our portfolios, you were in the black last month. The Nasdaq was up 1.9% and our 4 growth funds were up an average of 1.7%.

While stock investors made it through the month OK, the same can't be said for bond investors. A month ago I was bemoaning the fact that the yield on the 10 year Treasury note had risen to 4.80%. Well things got much worse during the month, with the yield shooting up to 5.30%, its largest monthly increase in 4 years. Rising bond yields resulted in declining bond prices, and thus losses for bond funds. Rising bond yields are also the bane of stock investors, as higher bond yields become competitive with stock market returns. The good news is that stocks made it through the month despite the fact that 1) interest rates rose, 2) oil prices rose, and 3) September is the worst month of the year for stocks. In last month's letter, I listed the reasons why I thought that despite these headwinds, stocks could still move higher. With bonds sporting significantly higher yields than just a few months ago, any stabilization in the bond market could result in substantial gains in bonds as well. Brett Eversole of Stansberry Research (9/9) feels strongly that rates can indeed fall from here. "Right now, bets on higher long term rates are hitting an extreme level. At these levels, "it's a powerful contrarian signal. Once that happens, long term rates tend to fall or move sideways". That would be good news for both bond and stock investors.

One positive fact concerning stocks that I didn't mention last month is that we are now entering a very favorable period for the stock market. This relates to the 4 year presidential election cycle. It turns out that the 3rd year of the cycle historically is the best year for stock performance. It gets even better if you measure this beginning Oct. 1st of the 2nd year through Sept. 30th of the third year. Measuring performance this way, Brett Eversole finds that since 1928, the average annual stock market return was 15.2%. The average of the other 3 years was 3.2%. "With that historical backdrop on our side, we want to stay bullish right now". Sam Stovall (CNBC, 9/21) concurred, stating that since World War II, the stock market has never declined during this time period.

There are other reasons that investors should stay invested now. Ryan Detrick of the Carson Group told CNBC on 9/14 that instead of focusing on what can go wrong, "let's look at what can go right". During the massive bull run of the late 1990's, nominal GDP growth averaged 6%. And "that's what we are averaging now". He stated that we are in an inflating growth environment where you want to be overweight stocks. "High yield bonds are showing no signs of stress. Defensive plays like utilities and staples are lagging, a sign the markets want to go higher".

Jay Kaeppel of Sentimentrader.com (9/8) stated that despite the market being within a few percentage points of all time highs, sentiment among investors still remains very negative. The AAII bull/bear ratio confirms this, and based on the recent data, he cites that historically, 12 months later, the Nasdaq composite has a median return of 22.8% with a 100% win rate. Tom Lee (CNBC, 9/15) agrees that sentiment is very negative and that there is a lot of cash on the sidelines. He also feels that interest rates can fall from here, which would be bullish for the housing market and add \$30-\$40 of earnings to the S&P 500. Following the mid term elections, "we can see one of the biggest 4th quarter rallies which could continue next year in one of the biggest rallies of our lifetimes".

It's RMD Time Again – During the next few weeks, I will begin to contact those who have required IRA distributions for this year. I will make the cash available so that you can go ahead and make the distributions. If you haven't made them by the middle of the month, I will send you reminders. Keep in mind that while the money needs to be withdrawn from your IRA accounts, you can always move the money to your non-IRA accounts (minus taxes) so that the funds can be invested. *Jeff Feldman*