Wealth Enhancement®

Weekly Market Update October 25, 2024

Paul M. DeSisto, CFA®
Senior Vice President, Financial Advisor

Fed Funds 4.75% - 5.0%, US Ten Year* 4.304%, Oil* $67.68

	Close	One Week	One Month	Year-to-Date	One Year
Dow Jones Industrial	42,114.40	-2.68%	+%	+11.74%	+27.90%
Standard & Poor's 500	5,808.12	-0.96%	+2.84%	+21.77%	+38.84%
Nasdaq Composite	18,518.61	+0.16%	+1.44%	+23.36%	+42.40%
Russell 2000	2,207.99	-0.13%	+0.58%	+9.70%	+34.04%

*As of 10/29/2024

It was a soft week for equities, and for bonds too, whose prices fell as interest rates continued their ascent that began after the central bank lowered the Fed Funds rate in September (bond prices move opposite interest rates). The ten-year US Treasury moved from 4.08% to 4.24%, significantly higher from its September 16 low of 3.62%. Typically, longer term bonds yield more than shorter term bonds and the yield curve slopes upward, compensating for the uncertainty of future inflation. The "inverted" yield curve of the last two years is an aberration as the Fed aggressively raised rates to address the soaring inflation resulting from Washington's post-Covid fiscal stimulus.

What is the near-term outlook for stocks? The chart below displays the Standard & Poor's index at year-end, going back almost one hundred years. Stocks are clearly in the best part of the year. Moreover, late year outperformance is even more pronounced during presidential years.



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Investors should not allow election uncertainty to derail them from their long-term investment goals. It is best to put aside overwrought election rhetoric. Stocks historically go up three of every four years and do so under Republican Administrations and Democrat Administrations. Similarly, the economy itself also does well with irrespective of the party controlling the White House or Congress.



Barack Hussein Obama
44th US President
2009-2017

In 2008 His Critics Said:	Average US GDP Growth	S&P 500 Index Average Annual Return
• Inexperienced—only served in the US Senate for two years before running for president • Soaring rhetoric and exorbitant campaign promises are "just words" • Desire for a large stimulus bill and healthcare plan will explode the national debt	1.7%	14.5%



Donald John Trump
45th US President
2017-2021

In 2016 His Critics Said:	Average US GDP Growth	S&P 500 Index Average Annual Return
• Never held political office • Doesn't speak or act in a way that's presidential • Trade war with China will damage the US economy	1.4%	16.0%



Joseph Robinette Biden, Jr.
46th US President
2021-Present

In 2020 His Critics Said:	Average US GDP Growth	S&P 500 Index Average Annual Return
• Too old to be president • Career politician • More of a vice president than a president	3.3%	13.1%

Courtesy The Hartford

The US economy is powerful, and even under adverse fiscal policy, it adjusts and recovers. Dramatic events such as 9/11, the Global Financial Crisis, and the COVID-19 pandemic can cause sharp market selloffs, but our economy and stock market have proven themselves resilient to these types of shocks.

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A quick note to our readers, M&R Capital Management's merger with Wealth Enhancement Group will take effect on November 1st. I look forward to continuing our conversations with our clients and friends.

Have a Great Week,

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Weekly Market Update October 18, 2024

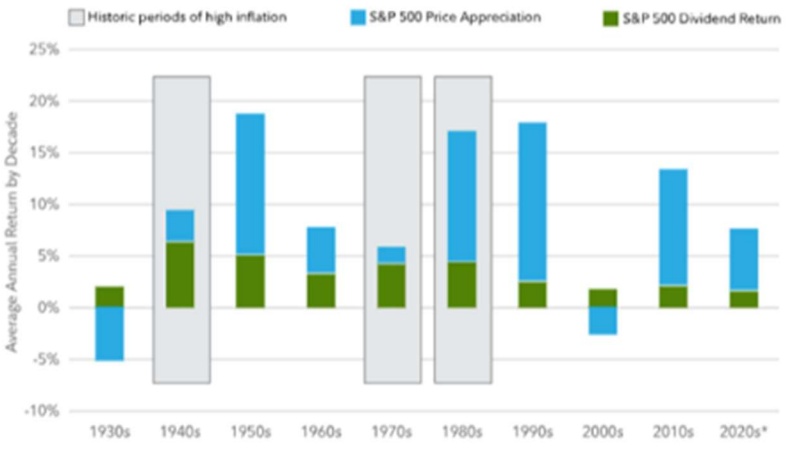
Paul M. DeSisto, CFA®
Senior Vice President, Financial Advisor

Fed Funds 4.75% - 5.0%, US Ten Year 4.083%, Oil $69.35

	Close	One Week	One Month	Year-to-Date	One Year
Dow Jones Industrial	40,275.91	+0.96%	+2.88%	14.82%	+30.64%
Standard & Poor's 500	5,864.67	+0.85%	+2.84%	+22.95%	+38.84%
Nasdaq Composite	18,489.55	+0.80%	+3.02%	+23.17%	+42.40%
Russell 2000	2,093.05	-5.62%	+0.58%	+3.17%	+13.04%

Stocks continued their torrid pace higher this week, with the Dow Jones Industrials and Standard & Poor's 500 reaching all-time high levels, while the NASDAQ is poised to break through its July 11 record closing high. While the small cap Russell 2000 has not had quite the returns of the larger capitalization stocks, with interest rates expected to fall over the next year there may be greater growth potential in small caps going forward.

With the focus on Artificial Intelligence directing investors' attention on growth stocks, it is easy to overlook the importance of dividends. In fact, since 1930 dividends have provided 40% of the total return of the S&P 500. The payouts have not had quite the saliency of earlier decades when interest rates were more stable, but they are still an important component of total return.



Courtesy: Fidelity.com

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If one does prefer to invest in dividend paying stocks, is it better to go for the higher-yielding stocks, or instead lower-yielding stocks with a higher *growth* rate of dividends? That may in part depend on whether an investor uses their dividends for living expenses. If that is not the case, the data shows that lower-yielding stocks with higher dividend growth rates will provide a much higher total rate of return. The three securities in the chart below track the ten-year total return from a high-yield stock fund, the SPDR Portfolio S&P High Dividend ETF (SPYD – red), the Vanguard Dividend Appreciation Index ETF (VIG – blue), and the Standard & Poor's 500 index itself (SPX – green).



*All dividends reinvested Data: TotalRealReturns.com

The high dividend SPDR, yielding over 4%, is clearly the choice for people needing current income, but it comes at a price; its ten-year total return is less than half that of the S&P 500 index. Note that the Vanguard Dividend Appreciation Index has had a total return much closer to that of the S&P 500 stock index, and its future return expectation (based on an exponential trend line) is also close. The VIG fund is a fine alternative for investors who want the growth the large cap index provides, but with its lower volatility as measured by its Beta and R-squared.

Wishing You a Profitable Week,

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Weekly Market Update October 11, 2024

Paul M. DeSisto, CFA®
Senior Vice President, Financial Advisor

Fed Funds 4.75% - 5.0%, US Ten Year 4.092%, Oil $75.62

	Close	One Week	Three Months	Year-to-Date	One Year
Dow Jones Industrial	42,863.86	+1.21%	+7.61%	+13.73%	+27.30%
Standard & Poor's 500	5,815.03	+1.11%	+3.56%	+21.91%	+34.37%
Nasdaq Composite	18,342.94	+1.13%	-0.30%	+22.19%	+36.81%
Russell 2000	2,234.18	+0.97%	+4.40%	+10.22%	+29.91%

This week's major news release was the September inflation figures. The "headline" CPI was 2.4%, while "core" inflation, which removes the more volatile food and energy components, was 0.3% higher in September, moving the annual rate up to 3.3% after holding firm at 3.2% the previous two months. This slightly higher than expected number makes a 25 basis point cut in Fed Funds from the November meeting likely. The prevailing view is that inflation will continue its gradual decline while the economy will slow but not enter a recession.

One warning sign of a possible recession is the upturn in unemployment from the low of 3.4% in April 2023 to the current 4.1%. As shown in the chart below, over the past seventy-five years, increases in unemployment from prior low levels have often led to recessions. It may indeed be that the Federal Reserve has engineered the "soft landing," but this is something to watch going forward.

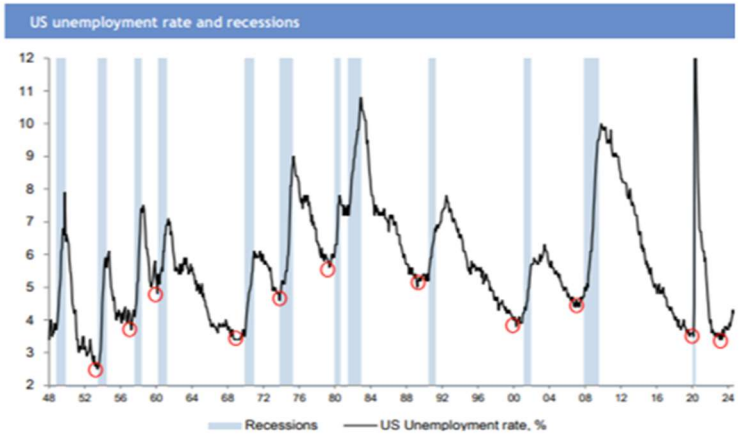


Chart JP Morgan Chase. Data Bloomberg

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While the total return of stocks as they close the year garner the headlines, often overlooked is how much stocks move *within* a year. The chart below illustrates the largest intra-year drawdown of S&P 500 stocks since 1989. Even during the years when stocks end much higher than where they began, there are opportunities to buy stocks at lower prices. The average intra-year drawdown over the past 35 years has been 14%, and twenty of those years have had drawdowns over 10%.

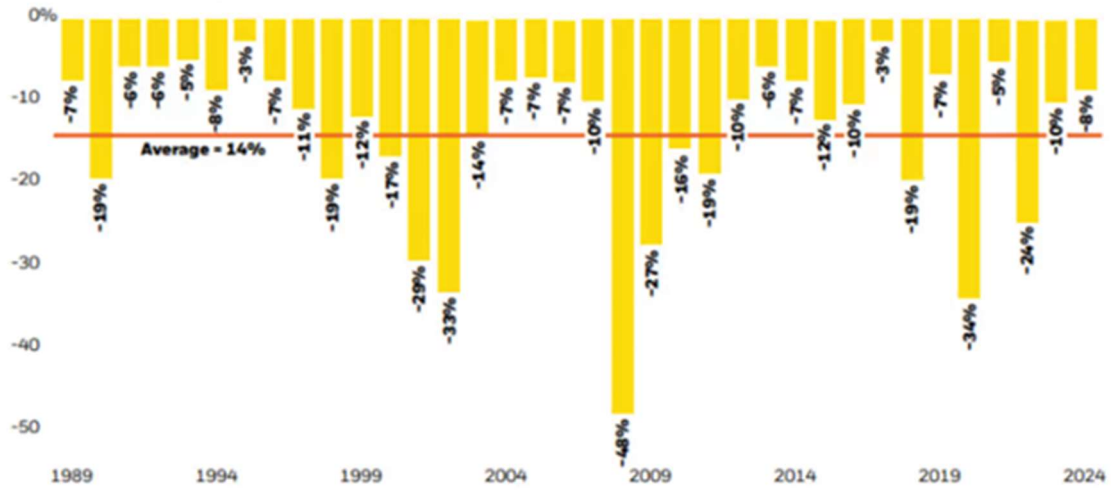


Chart Blackrock via MarketWatch. Data Bloomberg

The obvious lesson here is that stocks do not move up in a straight line. The less obvious lesson is that drawdowns are usually not the time to unload stocks into what may be panic selling, but a chance to add to the good companies you already own, and at cheaper prices.

Wishing You a Rewarding Week,

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M&R Capital Management 3Q2024 Market Review

John Maloney
Senior Vice President, Financial Advisor

Stocks extended their gains in the third quarter, propelled by the higher likelihood of that rarity of economic events, the “soft landing”. While the past is not encouraging in this regard, it does appear that there is a meaningful prospect that decelerating inflation will not be accompanied by a recession.

It has been two and a half years since spiking inflation set the Federal Reserve on a tightening cycle that has brought inflation down to the Fed’s target range of 2-3%. The year over year increase in the PCE price index in August has slowed to 2.2%, from 2.7% in April. Prices for goods may actually have entered a period of deflation, as goods declined in price 0.2% month over month in August, and 0.9% year over year. We believe much of this decline can be attributed to economic weakness and price deflation in China, which has exerted a drag on the prices of goods worldwide.

Last week equities got a further boost by a policy reversal in China, where, as some pundits have said, the leadership has finally “gotten out the bazooka.” Until now, policy changes to revive the flagging Chinese economy have been marginal and tentative. But in a stunning turnabout CCP Chairman Xi and Chinese policy makers have unveiled the most potent stimulus package since the Financial Crisis of 2008. While many observers doubt that the policies unveiled will jumpstart confidence in view of the deep recession in the Chinese property market, the People’s Bank of China (PBC) and the Communist Party’s Politburo have made clear that there are more measures to be revealed. The PBC has cut interest rates and reserve requirements for banks, as well as minimum down payments for mortgages.

In the U.S., the Fed deployed its own policy bazooka on September 18th, cutting interest rates ½ point, with the prospect of two further rate cuts in the 4th quarter. This caused a surge in stock prices in the second half of September, resulting in a gain for what is normally a difficult month for

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stocks. Perhaps more interesting than the solid overall advance in the stock market is the character of that advance. In the second quarter economically sensitive value and small capitalization stocks did not participate in the tech driven gains. But in the 3rd quarter that trend reversed as small cap and value stocks rose 8-9%, outpacing growth stocks' gain of 2.6%. Is it possible that these "old economy" stocks' recent strong performance is telling us that the economy will strengthen in the months ahead, and not lapse into a downturn? Sometimes it pays to remember that financial markets look to the future.

Kind Regards,

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