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REVIEW & COMMENTARY

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A November to Remember

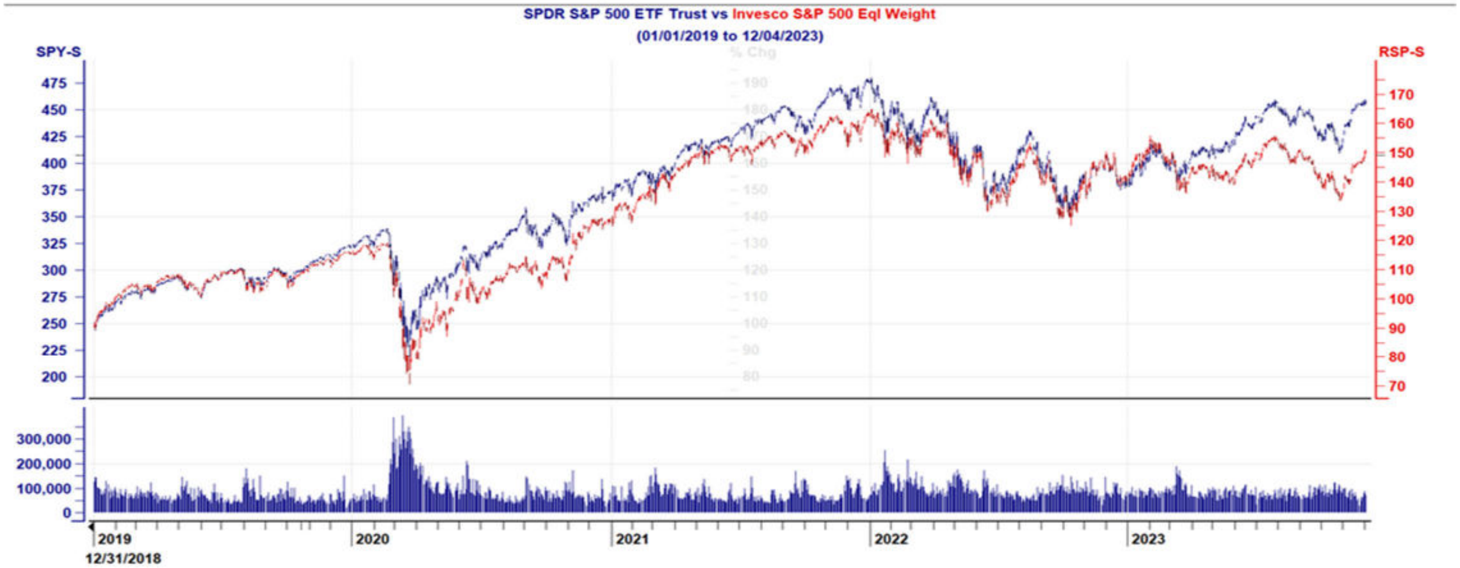
To say markets sprang to life in November is an understatement. Basically many indicies had returns last month that would be decent in most full years. The S&P 500 Index ("S&P 500") was up 9.13%, the Dow Jones Index up 8.77% and the Russell 1000® Growth Index was up 10.90%. The driver, true or not, was the thought that Federal Reserve Bankers are done raising interest rates and will soon start reducing them. There is some evidence to suggest the former is true. Inflation as measured by the Consumer Price Index came in at 3.2% in the month, while the P.C.E, a gauge favored by FED bankers rose 3.0%. Suddenly the idea that we could see the Fed's target inflation rate of 2.0% be reached soon doesn't seem so ludicrous as it did several months ago. Nor does the idea that we have successfully avoided a recession.

The strong markets in November were accompanied by impressive performance in most sectors making up the S&P 500. Information technology continued its strong performance by rising 12.9% in the month followed by turnarounds in performance from the real estate sector, up 12.5%, and the financial sector, up 10.9%. The sole laggard in the month was the energy sector, which fell 1.0%.

Through November, growth stocks continue to be well-ahead of value stocks. The Russell 1000® Growth Index is up 36.63% while the Russell 1000® Value Index is up 5.61%. Dividend paying stocks have especially suffered, with the S&P Dividend Aristocrats Index up 3.06% year-to-date.

Despite very strong performance from the "Magnificent Seven" large-cap growth stocks, markets broadened in November. Even with five of the Magnificent 7 (Apple, Microsoft, Amazon, Nvidia and Tesla) outperforming the S&P 500, the equal weighted S&P 500 rose 9.14% in the month. Yet, as the graph below shows, the equal-weight S&P 500 remains some 11.8% behind the market-weight S&P 500 year-to -date. And even (over)

Symbol	N	Net	Net %	Last	High	Low	Volume
SPY		-2.41	-0.52	456.69	459.12	454.34	71,217,621
RSP		0.07	0.05	150.60	151.01	149.53	9,571,139



Source: Telemet

with the S&P 500's strong performance this year, the overall index remains about 5% below its peak in early 2022.

Going forward, December has generally been a strong month for markets. According to Stock Trader's Almanac, since 1950 the S&P 500 was up 54 times, or 75% of the time, while down 18 times, or 25% of the time. There are several reasons for this: People start focusing on the upcoming year, tax-loss selling generally ends and has potentially driven the prices of many of the year's "losers" to attractive levels and investors have year-end bonus money available to invest.

By most valuation measures, U.S. equity markets aren't cheap. The S&P 500 (December 6) sells for 19.0x 2024 estimated earnings. According to Factset, this compares to a five-year average of 18.7x and a 10-year average of 17.5x. It is important to note, bond yields were much lower in the past five and 10 years than they are today so fixed-income securities remain an attractive alternative to stocks to many investors now and whether multiples should be as high as they are today is a valid question. An additional question, investors should be asking themselves is how accurate 2024 earnings estimates are at this moment. At the present time (December 7), analysts predict the S&P 500 will earn about $242 per share next year, versus $220 per share this year. This is growth of 10%, something that might be difficult to achieve if we are going into a slowing economy.

Apart from the possibility of a significant non-predictable event, the biggest factor influencing next year's market is and probably will remain the combination of the outlook for inflation and with it, whether interest rates stay high or come down.

Whether the strong results continue into 2024 remains an interesting question. It is a presidential election year. In such years, the well-known phrase "markets hate uncertainty," is well-demonstrated. According to First Trust, there have been 24 presidential elections since the S&P 500 was created. From 1928 to 2020, markets were up 19 times or 80% and have risen an average of 11.5%. When Republicans were elected (or reelected) markets rose an average of 15.3%. When Democrats were elected, or reelected, markets rose 8.3%. The worst year was President Obama's election year of 2008 when the S&P 500 fell 37.0% driven by the financial crisis beginning that year. The best election year was 1928 when Herbert Hoover was elected when the index rose 43.6%.

The Stock Trader's Almanac has a slightly different take on things. In presidential years since 1900, the Dow Jones Index has done far better (8.8% versus 5.1%) when incumbents run versus open years. When incumbents win, markets have gained 10.5% versus 4.8% when they lose.

Election Year	President Elected	S&P 500 Return	Election Year	President Elected	S&P 500 Return
2020	Biden	18.4%	1972	Nixon	19.0%
2016	Trump	12.0%	1968	Nixon	11.1%
2012	Obama	16.0%	1964	Johnson	16.5%
2008	Obama	-37.0%	1960	Kennedy	0.5%
2004	Bush G.W.	10.9%	1956	Eisenhower	6.6%
2000	Bush G.W.	-9.1%	1952	Eisenhower	18.4%
1996	Clinton	23.1%	1948	Truman	5.5%
1992	Clinton	7.7%	1944	Roosevelt	19.8%
1988	Bush G.H.W.	16.8%	1940	Roosevelt	-9.8%
1984	Reagan	6.3%	1936	Roosevelt	33.9%
1980	Reagan	32.4%	1932	Roosevelt	-8.2%
1976	Carter	23.8%	1928	Hoover	43.6%

Source: First Trust, NYU

Given all the uncertainty it is probably wise to take the historical precedents with a grain or two of salt but one thing, at least, is clear. Markets are up a lot more than they are down regardless of party.

As always, we are here to help with whatever investment questions you might have.