

Investing Environment Review and Outlook – Volume 84

Conditions for equities remain positive. Although investor positioning and valuations are higher since year end, and we are in a seasonally weak period of the year until October, the strong and broadening trend of the market higher combined with the trend of inflation to the downside is a powerful combination for more upside ahead. Our economic and inflation outlook indicators remain neutral and investor positioning is moderately long. While politics dominates media headlines, we remain focused on the objective, quantifiable, and predictive conditions we use for historical empirical analysis.



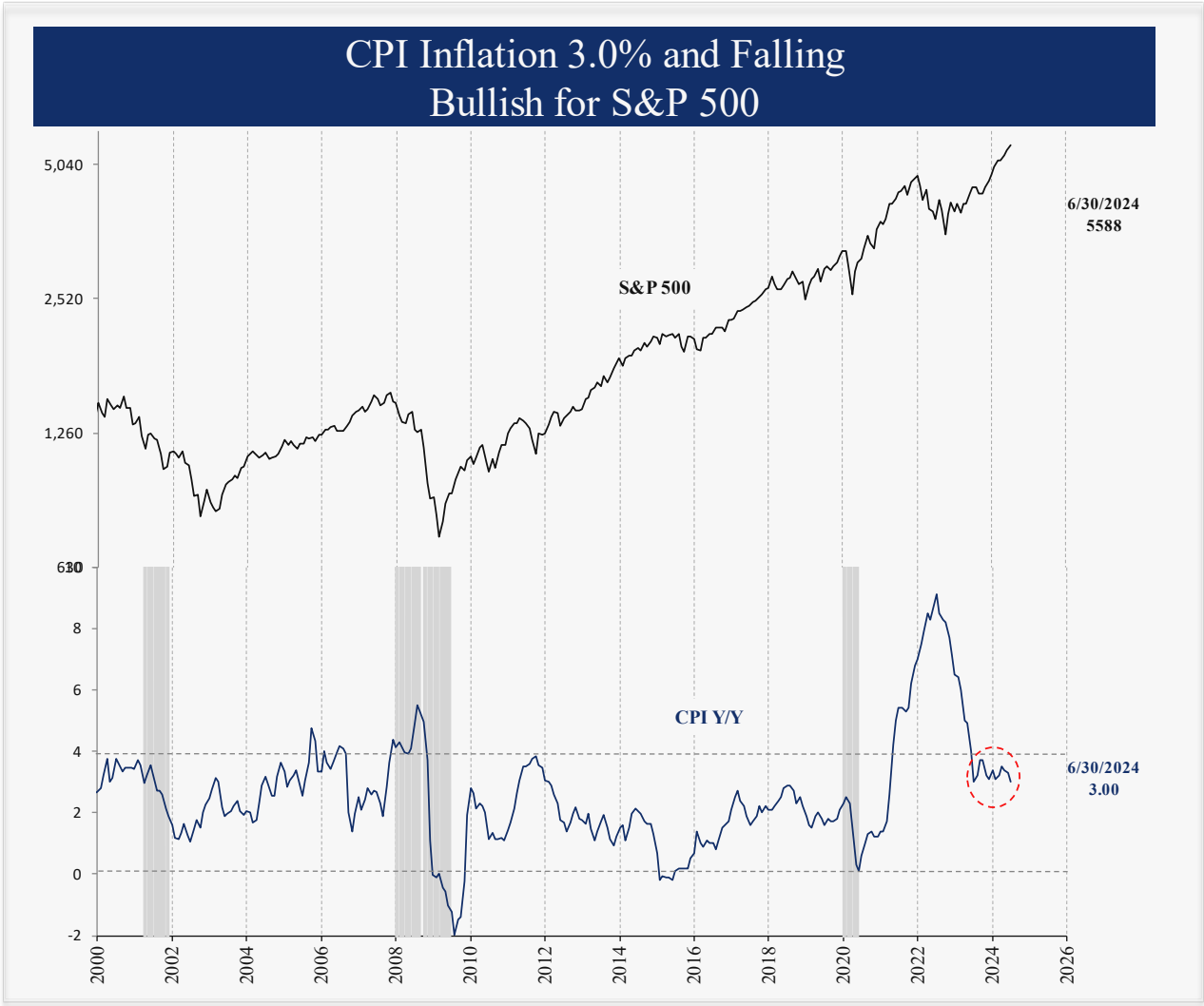
Russell 2000 Rally

Through 7/16 the Russell 2000 was up 11.4% in just 5 days. Of the 15 prior cases up 10% since 1979, subsequent returns for the S&P 500 and the Russell 2000 were mixed, with recent cases since 2009 positive, and prior cases negative. What made this month’s case unusual was the divergence with the S&P 500, up just 1.0% over the same period. There were only 4 prior cases with such a big 1 week divergence between the S&P and Russell. In May/June 2000 and again in March/April 2020. The 2000 cases marked the bull market peak for equities while the 2020 cases marked the bear market low.

This review and outlook report by Brenton Point Wealth Advisors LLC represents our views and beliefs regarding the current market outlook. Please also read the important disclosures at the end of this report.

CPI 3.0% and Falling: Bullish for Equities

While the Fed and many analysts focus on when and if the S&P will reach the magical Fed target of 2.0%, somewhat unnoticed is how bullish current conditions remain. Since 1950, when CPI headline inflation was falling, the S&P 500 returned 16.1% annualized (52% of the time). When CPI inflation was rising, the S&P 500 returned just 4.8%. For June, headline CPI was 3.0% down from the June 2022 peak of 9.1%. Our inflation outlook model remains neutral.



Conditions remain positive for equities and mixed for bonds and commodities. We are watching for a possible turn in the dollar which could have longer-term implications for industrial commodities and eventually inflation. Politics dominates media headlines, but mostly consists of conjecture. We will continue to analyze factual conditions instead and shift exposures as needed. Thank you for your support and please contact us with any questions.



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