BRENTON POINT
WEALTH ADVISORS

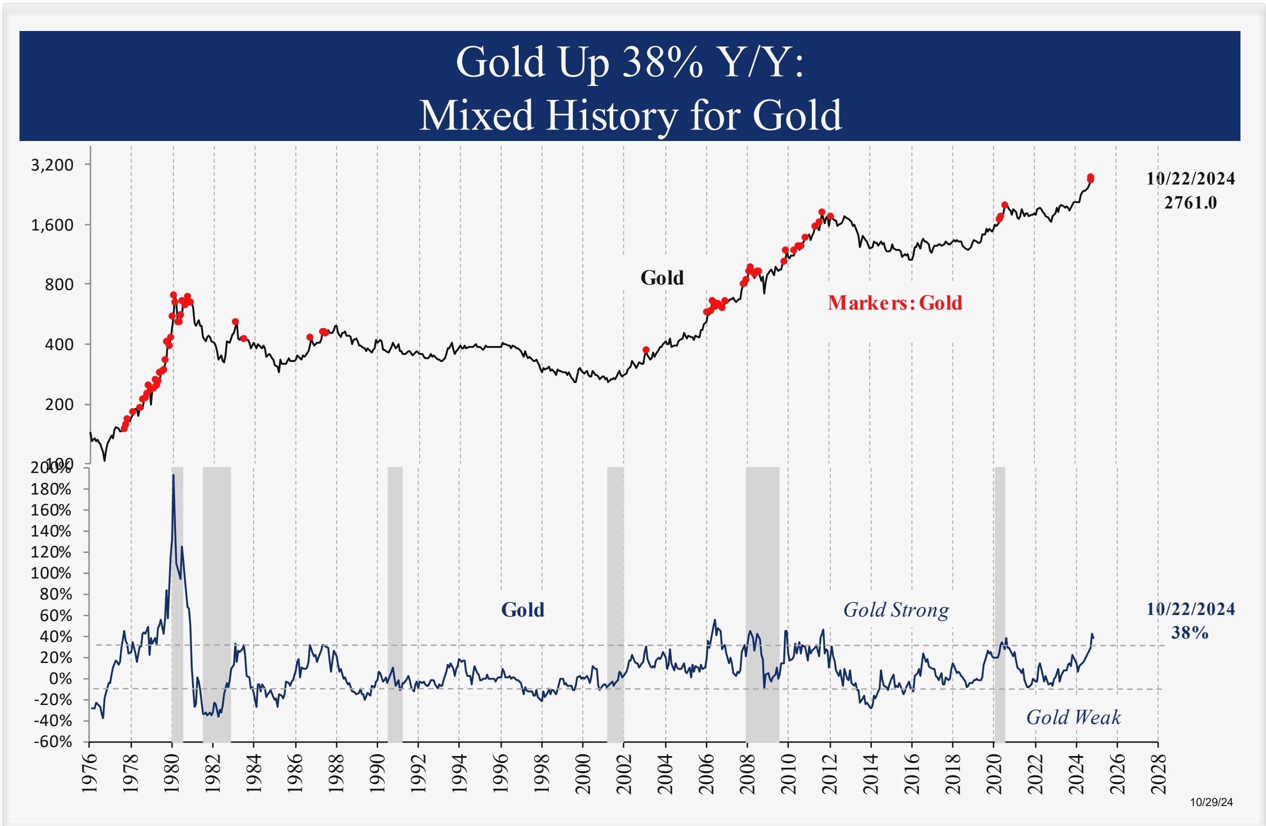
October 30, 2024

# Investing Environment Review and Outlook – Volume 86

Last month we discussed the initial Fed interest rate cut, investor positioning and the strong Federal outlays. Election analysis has intensified with the election less than a week away. Of the 8 prior presidential elections since 1950 when the S&P was up over 10% Y/Y (vs. 39% this year), subsequent returns varied. The worst two were 2012 and 1988, up 13% and 11% Y/Y prior to the election, followed by 5% declines within one month out. 2000 and 2008 elections were up 4% and down 36% Y/Y prior to the election, then declined 8% and 25% within a month after. The biggest rallies within a month were 1980 and 2020, up 7% and 9%. Economic and monetary indicators usually dominate politics. In 8 prior comparable cases, November and December were up an average of 3.8% and 3.5%, with all but one higher a combined average of 7.3%. The sharp move higher in the 10-year yield from 3.6 to 4.2% is an offset, but conditions remain positive for equities despite the daily election and geopolitical headlines.

**Gold Up 38% Y/Y: Mixed History for Gold**

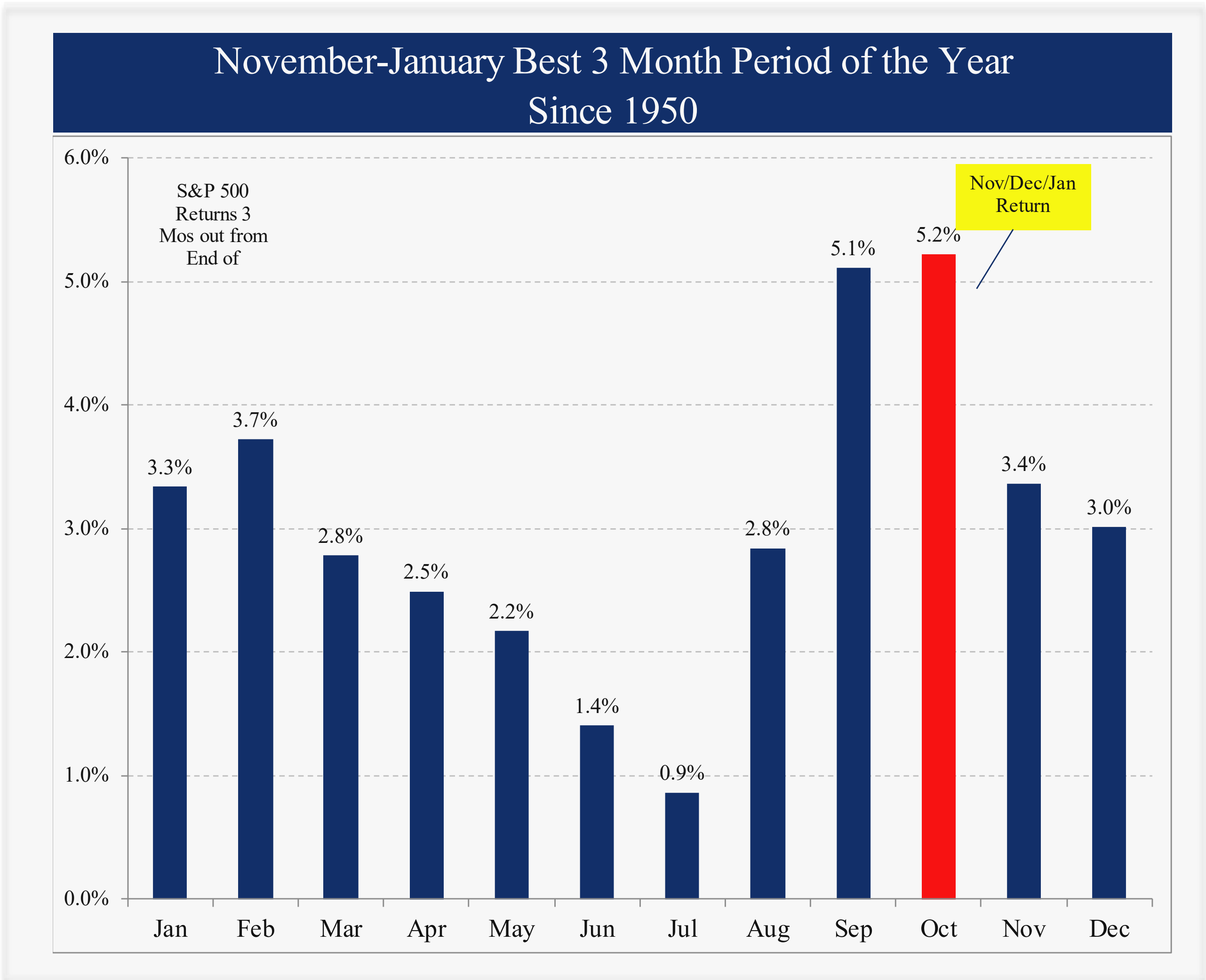
Gold is up 38% Y/Y and 70% over 2 years. Historically, when gold was up over 30% Y/Y, subsequent returns varied significantly. In the 1976-85 period, gold returned 36% annualized while the Y/Y return was over 30%. In 1979, in the biggest gold rally ever, gold peaked with a 190% move in one year. Recently, since 2015, strong returns were also followed by further gains with a 27% annualized return. However, in the 30 years from 1985 to 2015, strong returns like this were followed by weak gold returns from -9% to 2%. This is typical of “overbought” conditions, which are usually followed by low probabilities but higher returns when markets continue trending. We cut gold to a bullish 4 rating based on the overbought conditions, extended investor positioning, and the recent dollar strength.




*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.*

**November to December Best 3 Months of the Year**

Since 1950, the best 3-month period for S&P 500 returns was November through January at 5.2% with 81% of cases higher.  This compares to the worst in August-October at just 0.9% and 57% of cases higher.  Averages can be deceiving though.  Although investors may remember last year November-January was up 16%, the worst cases included 2007 -10.6%, 2008 -14.1% and 1973 -10.0%.  Seasonality is certainly one factor we consider in calculating expected returns and setting exposures, but economic and monetary conditions are generally dominant as predictive factors.



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**Consumer Confidence Not Yet Extreme: Positive**

The Conference Board released their October Confidence measure on 10/29, surprising to the upside at 108 vs. consensus of 99. Confidence is an important gauge we watch to measure risk in equities. During recessions and bear markets, as confidence drops, expected returns for equities rises since expectations are low and bad news is priced into the market. This means the bar is low for upside surprises and higher stock prices. At that point even "less bad" can be enough for a rally. On the flip side, as a bull market matures, confidence rises with stock prices. The highest confidence numbers are predictive of lower equity returns. Readings over 120 marked the euphoric peak markets of 1968, 1999 and 2021. Today, despite a 22% YTD S&P 500 return, Consumer Confidence at 108 is in just the 70th percentile. We continue to monitor economic and market conditions and analyze their impact on asset classes. Thank you for your support and please contact us with any questions.

Consumer Confidence Not Yet Extreme

S&P 500

10/29/2024
5832.9

Consumer Confidence

10/29/2024
108.7

Michigan Confidence

9/30/2024
70.1

10/29/24

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**Michael Schaus**
Director of Market Research