



CAPITAL INVESTMENT COUNSEL

# The Columns

**October 2021**

September was nasty and October started slowly but the market has roared (finally) into life. As of Thursday, October 21, the market was up 7 days in a row for the first time since July. I'm impressed with the relative nonchalance the S&P has shown the roadblocks thrown in its way. We've heard the Fed declare an earlier than expected end to its stimulus program and interest rates have jumped as well. The market seemed to respond with a "hold my beer and watch this" attitude. I sometimes find the market's reaction to the news to be more revealing than the news itself.

The S&P is up 5% so far in October and given the positive nature of October, that's not a surprise. Since 1995, the end of October is historically positive. The S&P 500 has risen 77% of the time over the last 4 days of October with an average gain of 1.65%. *(Standard & Poors)* It takes ten years to earn that from a US Treasury note so that's an exciting prospect over only 4 days.

A friend of mine used to say that nothing good happens in the 3<sup>rd</sup> quarter. That's probably overly pessimistic but it's no secret that Q4 is one where the market likes to shine. Historically, the market has averaged a 3.9% gain in the 4<sup>th</sup> quarter. Q1 slots into second place with a 2.3% gain so any positive Q4 momentum may potentially spill over into next year. *(Standard & Poors)* In particular, the last fifty trading days of any year tend to be strong. Since 1980, if the market was positive entering its final fifty trading days, there was a 78% chance it continued to rise into year-end. I feel the dynamic duo of the Covid receding (again) combined with the economy reopening may help drive the market higher.

Have you ever wondered why Europe isn't very vibrant? I love visiting European cities and Paris is one of my favorites, but they often lack that "buzz" and purpose that many US cities have. Of Europe's most valuable companies, not many are newcomers. Let's take a look. Here are the top four

US companies and their starting dates: Apple 1976, Microsoft 1975, Amazon 1994, and Facebook in 2004.

Now, let's look at the top components of the Vanguard Europe ETF. Nestle 1866. Not a typo, Nestle is 155 years old! ASML 1972, Roche Holdings 1896 and finally everyone's favorite: Louis Vuitton 1854. ASML is the Dutch semiconductor giant. ASML typically lurks outside Europe's top ten but the semiconductor shortage this year drove the stock price from \$198 at the Covid low to a recent \$782. For the rest of Europe's top ten, only SAP was founded after 1970.

Fun fact, if Elon Musk was a publicly traded company, his net worth of \$162 billion would slot him in at number 7 on the European list: right behind Astra Zeneca and just ahead of SAP. I'm not beating up on Europe but the first thing I noticed on the US list is that two of the top four companies are younger than my son. Europe has a different view on innovation and risk taking than the US and that's not all bad. For all the negative press our tech giants get, their achievements are remarkable. Just today, I used a product from all four of the US giants, but only one from the European leaders. Yep, I confess, I have a Louis Vuitton wallet. It was a gift from my wife so it would be rude not to use it. If you have any comments, feel free to contact me at [heddins@capital-invest.com](mailto:heddins@capital-invest.com) or call me at 919-656-0836.

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