November 2023

Wut are you thancfle for?

That's the question Charlie the Turkey asked our family this Thanksgiving. The "correct" spelling would be "what are you thankful for", but I prefer 6-year-old Kennedy's version. Everyone wrote their gratitude on a paper feather and the results were taped to the wall to create Charlie's feathers. (see below) I thought my answer was solid – thankful for friends and family, both old and new. But, looking back, I forgot to say just *how* thankful I am for the S&P's 11% rally from October 27th through November 27th.

I felt a rally was long overdue. August, September, and October were rough – especially considering how strong markets were in June and July. If you went to sleep Rip Van Winkle style on August 1st and woke up today, you'd wonder what the uproar was about. Stocks are unchanged over that time. There was just the small matter of the 10 percent selloff that bottomed on October 27th. I spoke at our Asheville conference on October 1st and laid out my positive vision for the year. I overheard a co-worker say, "I'll take the under on that." Prices dipped another 4% before going on that 11% upside run. It looks like the interest rate fever may have broken. Ten year US Treasury yields plummeted from 5% in late October to 4.39% currently and this is seemingly boosting all the S&P sectors. All 11 sectors were green two weeks in a row for the first time since June 2020. *(Callie Cox)*

If October was negative in a year in which markets were still up year-to-date, then November was higher 7 out of 7. (Ryan Detrick) We still have a few days to go in November, but prices are up 8.5% so far this month so I'm going to declare victory. For that same scenario above, November and December are positive 89% of the time so we may have a very Merry Christmas this year.

Let's revisit this scenario I brought up last month. Over the last 123 years, if the S&P was up 10% through October, the market closed the year higher 36 out of 41 times with an average gain of 5%. The S&P needed close at 4223 or better by Halloween to set this in motion. *Spoiler alert*, the S&P didn't make it to 4223 by October 31st. That didn't matter as the market vaulted past 4223 on November 1st and currently sits at 4514. *(intra-day 11/27/23)* That's a rally to be thankful for.

I'm a big fan of the Citibank Economic Surprise Index and the October reading hints that the economy is lifting off, as it was designed to represent the sum of the difference between official economic results and forecasts. The number to watch is zero. When the Surprise Index crosses and stays over zero, it seemingly means the economy is reigniting. With the summer interest rate spike in the rearview mirror for now, it's nice to see growth reaccelerate.

The October reading was the fifth month in a row the Index closed over zero and the market tends to like this behavior. Markets were higher one year later 88% of the time. The average 1 year gain was 11.7%. That one year gain would have us right on track for a typical Presidential election cycle. Can't wait for this one to play out. If you have any comments, feel free to contact me at heddins@capital-invest.com or call at 919-656-0836.

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