



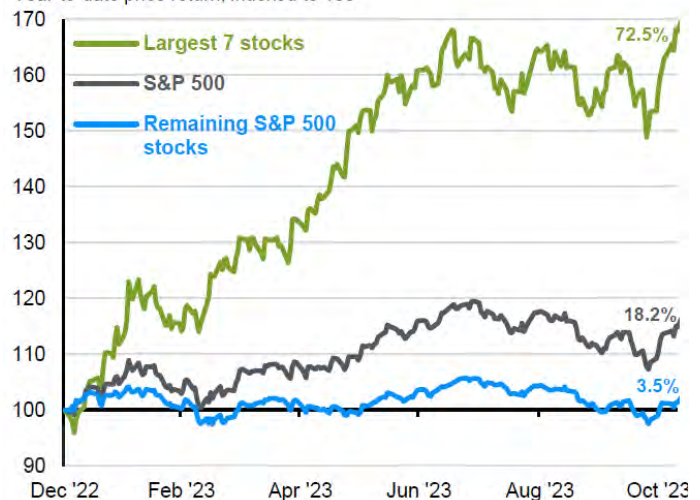
MARKET MENTIONS: SANTA CLAUS RALLY TO CONTINUE?

- Lots to be thankful for with the positive market returns in 2023. The path hasn't been smooth, with a regional banking crisis, war in the Middle East and hawkish Fed policy all challenging markets. However, good news outweighed the bad news, and disinflation, pandemic savings cushions, supported housing prices and new industrial fiscal policies from the Inflation Reduction Act all contributed to economic resilience that surprised many expecting a recession.
- The stock market has historically done well after Thanksgiving. Over the last 30 years, the average return in December has been roughly 1%, with the market logging a post-holiday gain roughly three-quarters of the time. The best was December 2010 with a rally of 6.5%, followed by 2003, 1999 and 1998, which saw post-Thanksgiving gains of more than 5%. Given the nice run-up so far in November, just a flat to slightly up December would be a win headed in 2024.
- In 2024 we think we will continue to see the ongoing moderation in inflation, the Fed stepping to the sidelines, but not cutting rates, and a cooling in economic activity. The biggest question mark is the cooling of the economy and how that plays out. It is anyone's guess, but at least the Fed has some room to cut rates in case the cooling turns cold.
- Technically, we filled the late August 2023 gaps around 4,500, so the only gaps left on the S&P500 chart are 4,576 & 4,589. The market has a way of closing these gaps, so those price levels might be in store for the rest of the year and we will see how market participants are feeling regarding the year ahead come the first week of January 2024.

CHART OF THE WEEK

The "Magnificent 7" is up over 70% this year and accounts for 94% of S&P 500 YTD returns. There are plenty of stocks that haven't seen the same run-up in valuations this year, with the remaining S&P 500 only up 3.5% YTD. In 2024, we would like to see price appreciation broaden out not only among the other S&P500 stocks but also among mid and small-cap stocks. This would be a signal that the market can sustain these price levels and head higher from here.

The "Magnificent 7" vs. everyone else
Year-to-date price return, indexed to 100



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Moe Ansari is the President, Chief Investment Officer, and founder of Compak Asset Management. With over 35 years of investment experience, Moeez evaluates the markets using industry-leading technical and fundamental analysis.

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