



MARKET MENTIONS: Will the market keep its November Mojo into 2024?

- Stocks capped off November with another gain last week, adding to the weekly winning streak that helped the S&P 500 post its first monthly gain since July. The strong November run was supported by favorable news in all the right spots: inflation continued to trend lower, the Fed signaled that it doesn't have to keep tightening policy from here, the economy continued to defy the gravity of high-interest rates, and corporate earnings came in better than expected.
- U.S. stocks gained 9% in November, the best month in nearly a year and a half, and the seventh-best monthly return in the last 30 years. It wasn't only stocks that were invited to the party. Investment-grade bonds (as measured by the Bloomberg Aggregate Bond index) logged their best monthly return in the last 30 years.
- Technically, we filled all the July 2023 gaps, so there are no more gaps to fill on the upside. We believe the market will trend sideways for the rest of the year and the first week of trading action in 2024 may set the tone for the next year, as it typically does.
- We're looking ahead to the 2024 US election and what it could mean for the fiscal decisions lawmakers will face in 2025 around the debt limit and the expiration of the recently passed spending caps and 2017 personal tax cuts. We expect the tax cuts would be extended in full if Republicans were to gain control of the White House and both chambers of Congress, while full Democratic control would likely see most of the personal tax cuts expire and some new taxes enacted, with some of the savings likely devoted to new spending. A divided government would likely produce the most fiscal tightening, as some of the tax cuts would expire without much new spending.

CHART OF THE WEEK

We think the year ahead will bring some challenges (shifting Fed policy expectations, a potential economic growth scare, political and geopolitical uncertainties) that will spark periodic pullbacks, but a return to new highs is conceivably in the cards as we advance. The upshot: Looking back at the recoveries since 1980, when the market finally reached the previous peaks, stocks have typically gone on to deliver a double-digit return in the ensuing year, reflecting, in our view, the progression of renewed economic, monetary policy and earnings cycles.

Market Peak	Bear Market Decline	# of Days to Return to All-Time High (From Previous Peak)	1-Year Return After Reaching New High
November 28, 1980	-27%	487	20%
August 25, 1987	-34%	485	9%
July 16, 1990	-20%	148	36%
March 23, 2000	-49%	1805	-7%
October 9, 2007	-57%	1366	20%
February 19, 2020	-34%	126	32%
January 3, 2022	-25%	? (currently 481)	?

Source: Bloomberg, performance measured by the S&P 500 Index.

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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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