

# February Market Update

- 📌 Market Commentary
- 📌 The Independent Advisors Podcast
- 📌 Special Holiday Hours

## Market Update

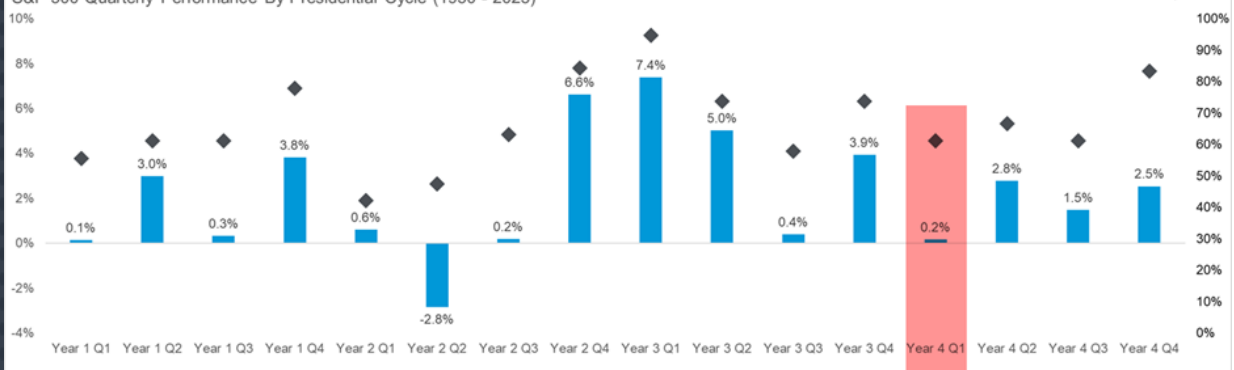
Stocks, for the most part, carried their 2023 year-end strength into the first month of 2024. The first quarter of an election year tends to be relatively weak, so stocks are off to a good start in the new year. Below are the January returns for the popular benchmarks that investors track (Data provided by Y-Charts & Commonwealth Financial Network):

- S&P 500 Index: +1.6%
- Dow Jones Industrial Average: +1.2%
- Nasdaq Composite Index: +1.0%
- Russell 2000 Index: -3.9%
- S&P Target Moderate Risk Index: +0.24%

As I mentioned above, if we look back at history, the first quarter of an election year tends to be pretty weak for stocks. The good news is that stocks tend to get it together after the first quarter, as shown in the graphic below:

### Q1 Of An Election Year Tends To Be Weak

S&P 500 Quarterly Performance By Presidential Cycle (1950 - 2023)



Source: Carson Investment Research, FactSet 12/29/2023 (1950 - 2023)

@ryandetrick



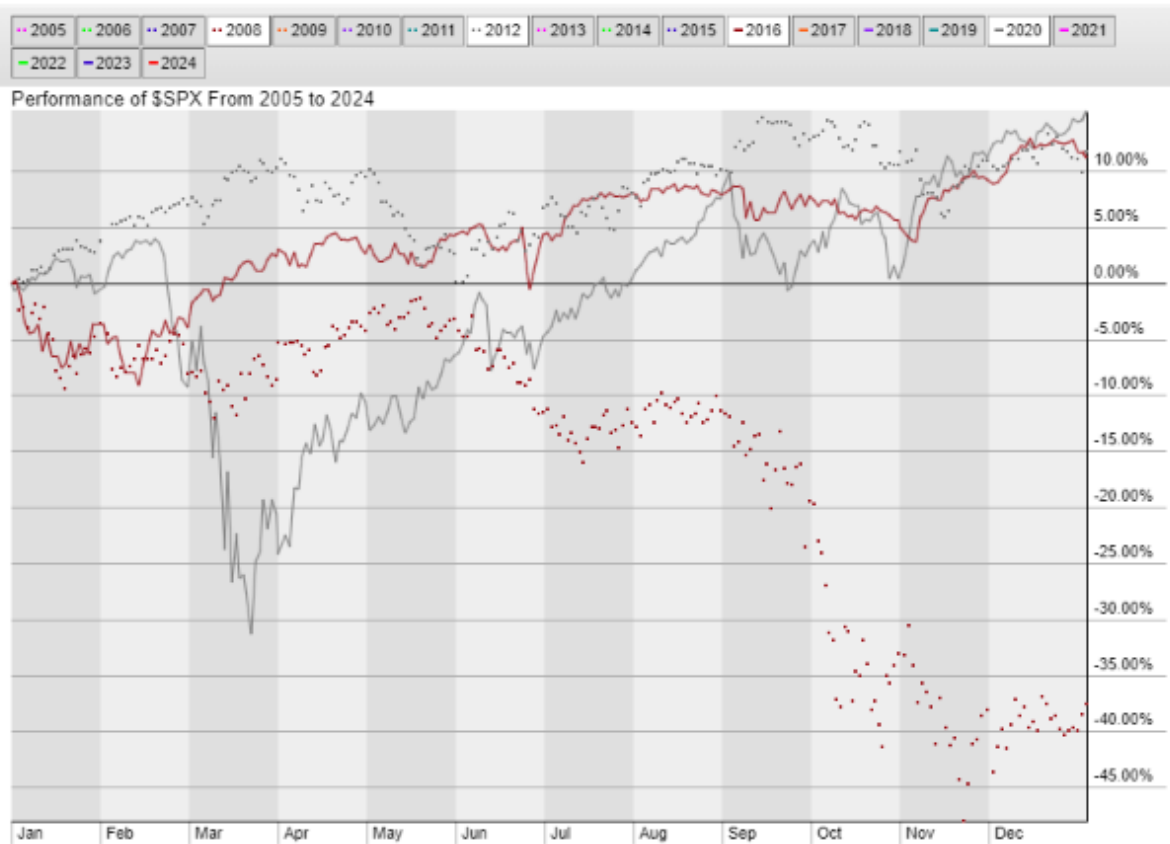
Below are some more seasonal statistics about presidential election years and their relationship with the stock market:

- The market tends to do better when the sitting president runs for reelection. Going back to 1900, the Dow averaged 8% in election years when the sitting president was running compared to 5.1% when the sitting president was not running.
- Since 1896, there have only been 6 election years (out of 32) where the Dow has declined more than 5%. It is interesting to note that in 5 of those years, the incumbent party lost their reelection bid.
- As we have discussed in the podcast and previous newsletters, the second half of election years tend to have the most strength. In 16 of the last 18 election years, the S&P 500 has notched gains in the previous 7 months of the year.
- **Presidential predictor fun fact:** Since 1936, when the S&P 500 is negative from July 31<sup>st</sup> – October 31<sup>st</sup> the incumbent party loses the election 89% of the time.

Data from The Stock Trader's Almanac

Below is a chart of the S&P 500 index for the last four election years. As you can see, the weakest months of the year are right before the election in September and October. Once we get into late summer, there is a better-than-average chance that we will reduce risk

inside client portfolios to prepare for the typical volatility we see before the election in November.



Stockcharts.com

We are right in the middle of earnings season, where publicly traded companies must reveal their financials from the previous quarter. So far, earnings reports are coming in strong, which was a tailwind for the market in the second half of January. (AAPL, AMZN, GOOGL, NVDA). Investors should expect higher volatility during earnings season as earnings reports tend to have a large impact on near-term stock price movement.

The S&P 500 made a new all-time closing high on January 19th. This was the first all-time high since the first week in January of 2022. In other words, the market went more than two years without making a new all-time high. Most investors are usually afraid to put cash to work when the market is at a new high. However, the data shows that investors' fears may be overdone.

Below is data from a paper written by Dimensional in 2021. The paper shows that buying at all-time highs is actually a better strategy than buying stocks after a 20% decline. In my opinion, the most bullish thing the stock market can do is make a new high.

#### Exhibit 1

##### All Rise

Average annualized returns for S&P 500 Index after market highs and declines

	1 year later	3 years later	5 years later
After new market high	13.9%	10.5%	9.9%
After 20% market decline	11.6%	9.9%	9.6%

\*Past performance is not indicative a future returns. This is for illustrative purposes only

As always, don't hesitate to reach out to our team with any questions you may have.

Regards,  
Mark McEvily  
Chief Investment Officer

*Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is not indicative of future results.*

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## **Special Holiday Hours**



- Our office will be closing early on Friday, February 16th. We will be in the office from 9:00 am to 12:00 pm. From 12:00 pm to 4:00 pm, you can reach us remotely via our office phone.
- Our office will be closed Monday the 19th in observance of Washington's Birthday.

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