

July Market Update

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



Market Update

Stocks continued their strength during the month of June, defying normal seasonal patterns. Below are the June returns for popular benchmarks that investors track (Data provided by Y-Charts & Commonwealth Financial Network):

- S&P 500 Index: **+6.5%**
- Dow Jones Industrial Average: **+4.6%**
- Nasdaq Composite Index: **+6.6%**
- Russell 2000 Index: **+7.8%**
- S&P Target Risk Moderate Index: **+2.33%**

The Federal Reserve held rates steady at a range of 5% - 5.25% when they met last month. We believe this is because inflation has continued to come down dramatically over the past few months. We are starting to see signs of disinflation across several areas of the US economy, which is a great thing for consumers. We could return to the Fed's inflation target of 2% sooner than most expect.

During June, the S&P 500 officially entered a new bull market, defined as an index moving 20% higher off its lows. Looking back at history, when stocks enter a new bull market or make new 52 weeks highs, forward returns tend to be stronger than average.

A New Bull Market Should Have Bulls Smiling Very Soon

New Bull Markets Start (20% Off Bear Lows) and What Happened Next for the S&P 500

Start Of Bear	End Of Bear	Bear Market Return	Up 20% From Bear Lows	Trading Days to New Bull Market	Real Bear Lows?	S&P 500 Returns				
						1 Month	3 Months	6 Months	12 Months	
8/2/1956	10/22/1957	(21.6%)	7/25/1958	191	Yes	1.6%	8.5%	18.8%	27.8%	
12/12/1961	6/26/1962	(28.0%)	12/5/1962	112	Yes	2.0%	3.8%	12.2%	17.7%	
2/9/1966	10/7/1966	(22.2%)	2/14/1967	88	Yes	2.2%	5.6%	7.5%	2.4%	
11/29/1968	5/26/1970	(36.1%)	9/28/1970	87	Yes	-0.9%	8.6%	19.2%	16.3%	
1/11/1973	10/3/1974	(48.2%)	11/5/1974	23	Yes	-12.0%	5.1%	18.6%	17.8%	
11/28/1980	8/12/1982	(27.1%)	9/14/1982	22	Yes	11.1%	13.7%	22.5%	34.4%	
8/25/1987	12/4/1987	(33.5%)	3/8/1988	64	Yes	-1.2%	-1.6%	-1.4%	9.1%	
3/24/2000	9/21/2001	(36.8%)	12/5/2001	52	No	-0.5%	-0.5%	-12.2%	-22.5%	
3/24/2000	7/23/2002	(47.8%)	8/22/2002	23	No	-13.4%	-5.0%	-13.5%	3.2%	
3/24/2000	10/9/2002	(49.1%)	11/21/2002	31	Yes	-3.9%	-10.2%	1.9%	10.9%	
10/9/2007	3/9/2009	(56.8%)	3/23/2009	10	Yes	2.5%	8.5%	29.4%	42.7%	
10/9/2007	11/20/2008	(51.9%)	12/8/2008	11	No	0.0%	-20.7%	3.2%	20.0%	
2/19/2020	3/23/2020	(33.9%)	4/8/2020	12	Yes	6.5%	14.6%	24.3%	50.1%	
1/3/2022	10/12/2022	(25.4%)	6/8/2023	164	?	?	?	?	?	
Average					64	10 of 13 marked the lows	-0.5%	2.3%	10.0%	17.7%
Median					41.5		0.0%	5.1%	12.2%	17.7%
% Higher							53.8%	61.5%	76.9%	92.3%

Source: Carson Investment Research, YCharts 06/11/2023
 A new bull market is 20% off the previous bear market low
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Stocks Finally Make a New 52-Week High ==> Making Bulls Smile

S&P 500 New 52-Week High After More Than a Year Without One

Date	Months Without A New 52-Week High	S&P 500 Returns			
		1 Month	3 Months	6 Months	12 Months
3/4/1954	13.9	3.0%	10.4%	13.7%	41.2%
8/1/1958	23.9	1.1%	8.0%	16.4%	27.8%
1/9/1961	17.1	4.8%	13.1%	11.7%	17.3%
4/11/1963	15.9	2.5%	1.3%	5.0%	16.3%
4/21/1967	14.3	-0.7%	1.9%	3.4%	3.3%
1/7/1971	25.1	4.9%	10.4%	8.6%	11.6%
6/23/1975	29.3	-3.7%	-9.1%	-5.1%	11.4%
7/31/1978	22.2	2.7%	-6.0%	0.9%	2.5%
10/7/1982	22.3	10.4%	12.8%	17.8%	30.2%
11/6/1984	13.0	-4.5%	5.9%	6.0%	13.1%
10/18/1988	13.8	-5.6%	2.6%	9.9%	22.1%
2/3/1995	12.0	0.7%	8.7%	16.8%	32.8%
9/2/2003	41.0	-0.4%	4.7%	12.6%	8.2%
10/12/2009	24.0	1.6%	5.6%	12.5%	8.7%
7/8/2016	13.5	2.4%	1.4%	6.9%	14.0%
6/12/2023	17.1	?	?	?	?
	Average	1.3%	4.8%	9.1%	17.4%
	Median	1.6%	5.6%	9.9%	14.0%
	% Higher	66.7%	86.7%	93.3%	100.0%

Source: Carson Investment Research, FactSet 06/12/2023 (1950 - current)
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We are about to embark on earnings season for publicly traded companies. Once per quarter, publicly traded companies must release their financial results to the public. Earnings season for Q2 2023 financial results will begin within the next few weeks. So, the markets could have heightened volatility depending on how earnings roll in.

Investors may be wondering if the market will be weak in the second half of the year due to the strength in the first half. Below is a quote from Adam Turnquist, CMT and Chief Technical Strategist at LPL:

"Since 1950, the S&P 500 has followed up a positive first half with an average second-half gain of 6.0%. Furthermore, when first-half gains were 10% or higher, the index posted average gains of 7.7% in the second half, with 82% of occurrences producing positive results. Despite the bullish inclinations from a positive first half, bull markets are not linear, and pullbacks or even a correction should be expected in the second half. The average maximum drawdown for the S&P 500 during any calendar year dating back to 1950 has been -13.8%, well below this year's current maximum drawdown of only -7.8%."

Lastly, the VIX (CBOE Volatility Index), a popular measure of volatility, is the lowest it has been since January 2020. The VIX reflects the level of expected price fluctuations in the market over the next 30 days. This is welcomed by investors across the globe who have been anxiously awaiting a low-volatility environment. I think I can speak for the majority when I say it seemed as if the heightened volatility was never going to end.

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

Regards,
Mark McEvily

Chief Investment Officer

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Special Holiday Hours

- Our office will be closing early on Monday, July 3rd. 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 Tuesday, July 4th, in observance of The Fourth Of July.

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