November 15, 2024 Web Comments

	WEEKLY CLOSE	% CHANGE YTD
DOW JONES IND	43,444.99	15.27%
S&P 500	5,870.62	23.08%
NASDAQ	18,680.12	24.44%

The US Economy

According to the Bureau of Labor Statistics' report on Wednesday, the so-called consumer price index, which excludes food and energy costs, increased 0.3% for a third month, and over the last three months it rose at a 3.6% annualized rate, marking the fastest pace since April.

These numbers underscore the slow and frustrating nature of the battle against inflation, which often moves sideways, sometimes for months at a time.

Is it time for the Equity Markets to Pause?

The S&P 500 Index reached an all-time high on 11/11.

Investors' exposure to US stocks is now at the highest level since 2013, based on optimism that stronger economic growth is on the horizon.

A Bank of America survey canvassing fund managers who were collectively managing $503 billion in assets, found 23% of those investors now expect stronger global growth in the next year, compared with only 10% projecting a weaker economy. The proportion of fund managers overweight US stocks among the respondents has now nearly tripled to 29%.

Fund managers in the survey also projected that US stocks will be the best performing asset class next year with small-cap stocks just beginning to outperform.

In the near term we remain on watch for any substantial pause or pull-back in the equity markets due to profit taking.

In our experience, a correction here would be normal and should not be a signal that the rally is finished or that upward momentum is exhausted. Historically, when stock market trends have been established, they are difficult to change. When markets develop momentum, it's dangerous to get in their way.

The two most simple valuation metrics for the S&P 500 Index are the ratio to sales and the ratio to book value. Looking at the Bloomberg Charts, on the former, the current market is very close to the record set in the post-Covid boom in 2021. On the latter, it's almost taken out the all-time high from the dot-com bubble in 2000.

With the above having been said it is true that asset prices can indeed be so fickle as to make quick accurate decisions difficult and risky following such a historical rally. It is comforting to note, however, that the equity markets seem to continue to signal expectations of higher growth, lower volatility and inflation, and a revitalized economy for all Americans.

Have a nice weekend.

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