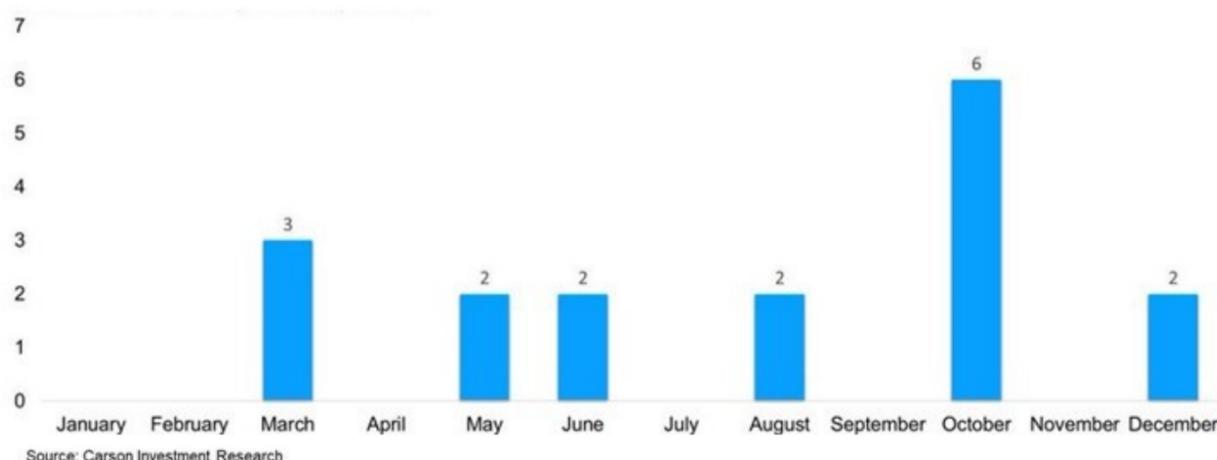


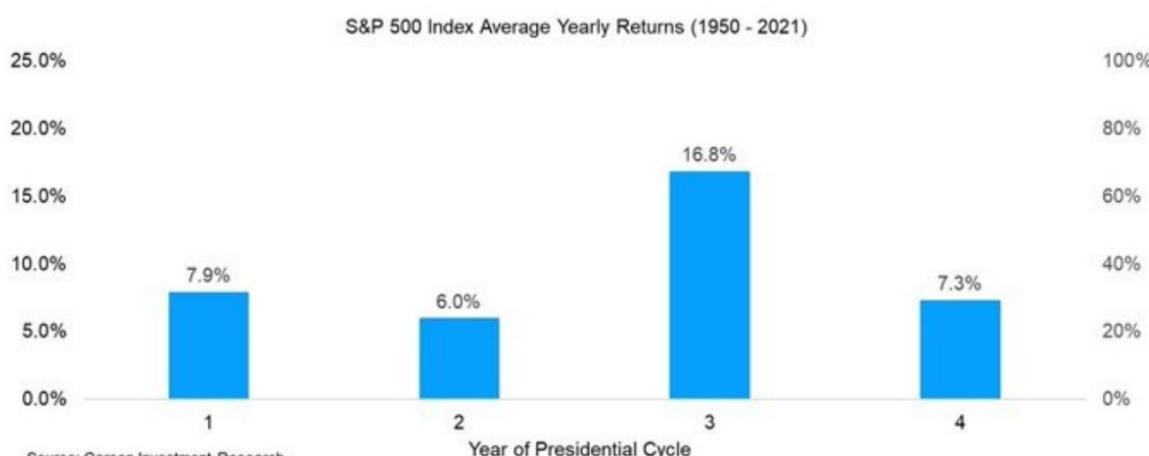
CHART OF THE MONTH

NOVEMBER 2022

More Bear Markets End In October Than Any Other Month



Year Three Of The Presidential Cycle Is The Strongest



Our November edition would be more aptly named “Charts of the Month” rather than our “Chart of the Month” as we have, for the first time, chosen four images instead of the usual one or two because we believe they combine to tell a visual story about the outlook for the stock market.

The low for the S&P 500 this year was established on October 12 at 3577. The index has since gained 12.6% (including a key 5.5% intra-day reversal on October 13) to close at 4026 on November 25. While there is no guarantee that last month’s low will hold, more bear markets have ended in October than any other month since World War II (as shown in the first chart).

A second reason for optimism is that year three of the presidential cycle has been the strongest of the four years with an average return of 16.8% since 1950, more than twice as high as the others (second chart).

Thirdly, the stock market has performed well when the party in power in the House of Representatives has a small majority in the first year of a new Congress. The average annual return has been 15.4% since WWII (see top chart below).

If indeed the market bottomed on October 12, history would suggest that the subsequent one, three, six, and 12 month returns could be powerful (bottom chart). Note that the S&P 500 advanced 10.6% in the 30 days since the low, exactly in-line with the median return from the previous dozen cycles since WWII. One caveat, however, is that the Federal Reserve is currently raising interest rates whereas it was lowering them at the beginning of the previous bull markets.

While the past may not be prologue, there are historical indicators that point to brighter prospects in the year ahead. That said, nobody knows if the bear market is behind us or not. A recession in 2023, for example, would negatively affect corporate profits and likely derail the rebound. Either way, there will be fits and starts with equities responding to geopolitical events (i.e., China unrest, Russia/Ukraine) and economic reports such as the Personal Consumption Expenditures (PCE) inflation gauge preferred by the Fed this Thursday, November jobs on Friday, and the Consumer Price Index (CPI) on December 13, which coincides with the next meeting of the Federal Open Market Committee (FOMC). Regarding the latter, we will learn whether the central bank hikes the fed funds rate by 75 basis points for a fifth consecutive time or downshifts to 50 bp, a move that would be most welcomed by investors.

S&P 500 Performance < 20 Seat House Majority (WWII – Current)

Congress (Years)	Party In Power	House Seat Majority	S&P 500 Annual Return
78th (1943–1945)	Democrats	5	19.4%
82nd (1951–1953)	Democrats	18	16.3%
83rd (1953–1955)	Republicans	4	-6.6%
84th (1955–1957)	Democrats	15	26.4%
85th (1957–1959)	Democrats	15	-14.3%
104th (1995–1997)	Republicans	13	34.1%
105th (1997–1999)	Republicans	9	31.0%
106th (1999–2001)	Republicans	6	19.5%
107th (2001–2003)	Republicans	3	-13.0%
108th (2003–2005)	Republicans	12	26.4%
109th (2005–2007)	Republicans	16	3.0%
110th (2007–2009)	Democrats	16	3.5%
113th (2013–2015)	Republicans	17	29.6%
116th (2019–2021)	Democrats	18	28.9%
117th (2021–2023)	Democrats	5	26.9%
118th (2023–2025)	Republicans	3 (estimate)	?
Average			15.4%
Median			19.5%
% Higher			80.0%

Source: Carson Investment Research

S&P 500 Bull Markets (WWII – Current)

Start Of New Bull Market	Previous Bear Return	S&P 500 Index Returns			
		1 Month	3 Months	6 Months	12 Months
5/19/1947	(28.5%)	8.9%	12.8%	11.6%	20.1%
6/13/1949	(20.6%)	9.1%	14.5%	23.0%	40.0%
10/22/1957	(21.6%)	3.8%	6.1%	9.8%	31.5%
6/26/1962	(28.0%)	8.5%	8.9%	20.5%	32.7%
10/7/1966	(22.2%)	10.3%	13.1%	21.4%	33.2%
5/26/1970	(36.1%)	6.8%	16.9%	20.8%	44.5%
10/3/1974	(48.2%)	18.6%	13.5%	29.9%	34.6%
8/12/1982	(27.1%)	19.4%	37.8%	41.6%	57.7%
12/4/1987	(33.5%)	15.6%	19.4%	19.3%	21.4%
10/9/2002	(49.1%)	16.2%	19.4%	12.2%	33.7%
3/9/2009	(56.8%)	20.5%	38.8%	50.2%	68.6%
3/23/2020	(33.9%)	25.1%	39.4%	46.6%	74.8%
10/12/2022*	(25.4%)	10.6%	?	?	?
Average	(33.8%)	13.3%	20.1%	25.6%	41.1%
Median	(31.0%)	10.6%	15.7%	21.1%	34.2%
% Higher		100.0%	100.0%	100.0%	100.0%

Source: Carson Investment Research