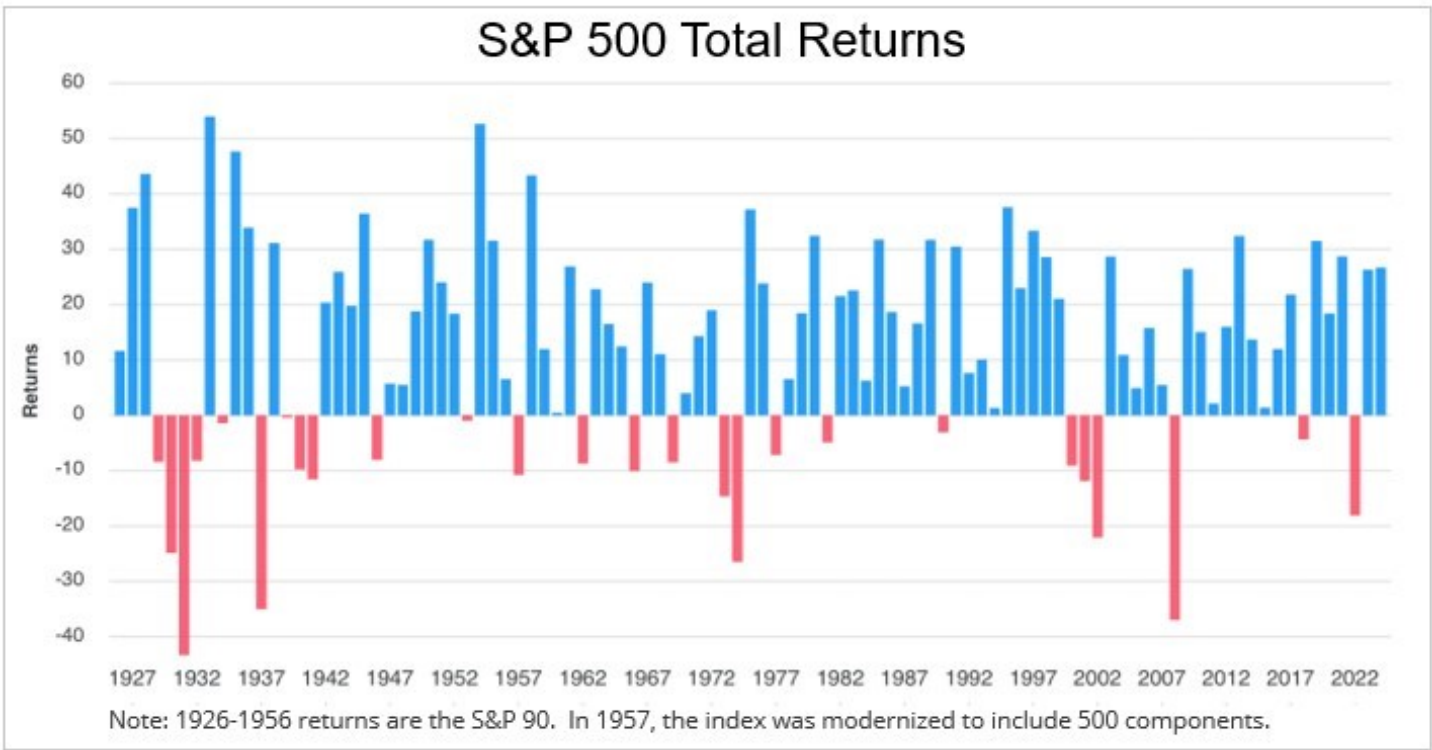


CHART OF THE MONTH

NOVEMBER 2024



The S&P 500 has gained 4.5% since the election three weeks ago and is now up 25.2% year-to-date (26.7% total return including dividends), following a 26.3% return last year. As a result, as shown in the chart above, the S&P is on the verge of producing back-to-back years of more than 20% for the first time since the late 1990s.

The index has generated 15% or better annual returns 10 times in the past 16 years (with only two down years) since the Great Financial Crisis in 2008. Nevertheless, the current bull market, which began on October 12, 2022, is actually quite young by historical standards.

As displayed below, the average bull market has lasted 67 months, suggesting the good times could persist for another 42 months (or 3-1/2 more years) through May 2028. Of course, there are no guarantees that the current run will match the previous norms but the data serve as a reminder not to turn bearish too soon.

Meanwhile, year-over-year earnings estimates, the number-one driver of stock prices, for the S&P 500 continue to climb double digits in percentage-terms in 2024, 2025, and 2026. Earnings have been aided by solid revenue growth as well as profit margins that have exceeded their pre-pandemic levels. The latter could be enhanced further if the Trump administration is successful in lowering the corporate tax rate from 21% to 15% as it has vowed.

In addition, a portion of the record \$6.5 trillion of money-market-fund assets (see graph at the bottom), which have doubled in the past five years, may add to the demand for stocks in the future, especially if yields continue to decline, making cash less and less attractive to hold.

The market, as always, isn't without risks. Geopolitical tensions remain atop the list. The ongoing conflict between Russia and Ukraine escalated last week when Ukraine employed long-range American and British-French missiles and Russia responded with an intermediate-term ballistic missile. Putin also lowered the bar for launching nuclear weapons against perceived NATO aggression, heightening the potential for a much bigger war if enacted.

