November 2024

Alexis Investment Partners

Practical | Tactical

Stocks and Bonds struggled in October, but 2024 continues to surprise to the upside. Trailing 12-month results are impressive. Despite seasonal headwinds, a contentious election, slowing growth, multiple wars and high valuations, stocks remain resilient. **Seasonality turns more favorable in the months ahead.**

Year-to-date gains have already exceeded many analyst projections. Our models are cautiously optimistic – suggesting further upside. We find bonds less attractive, continuing to favor cash that offers a higher yield and greater liquidity. Last month supported our theory that **bond yields are likely to drift higher as the Fed eases. This is good news, suggesting reduced recession risk, but is near-term unfavorable for bond investors.**

Bond yields rose in October, prompting a steady drop in bond prices. Stocks also declined, primarily due to a weak last day. The S&P500 index fell -0.9% in October. Global stocks were worse, -2.1%. Bonds fell sharply, -2.5%. Our portfolios currently emphasize liquidity and diversification, giving us the flexibility to adapt to changing conditions.

I delayed this month's letter with the election looming. With the election behind us, we now look forward to the Fed meeting this week and an active earnings season. **Despite slower growth,** earnings continue to come in better than forecast. Inflation is improving and the **Fed is expected to cut another 0.25% in a few days** - the second of several moves they are expected to make as they work towards a more neutral (neither restrictive nor stimulative) policy stance.

We welcome any updates, questions or concerns. Open and frequent communication is our best defense against losses in volatile times. The next months will be busy as we complete required minimum distributions and any Roth conversions. If you have any tax planning questions, please schedule time as soon as possible.

What to Expect in Portfolios

Last month we wrote: "**We expect continued volatility** into the election within the context of **a continued strong uptrend** that **is unlikely to be derailed this year.**"

October was volatile, starting strong but finishing weak as investors raised cash ahead of the election.

We are cautiously optimistic and expect further gains as seasonal headwinds turn favorable and uncertainty dissipates. That said, **we are tactically more cautious than our models suggest.** Being practical, **we are pleased with existing gains and think prudent risk management** promotes optionality in case things get worse before they get better.

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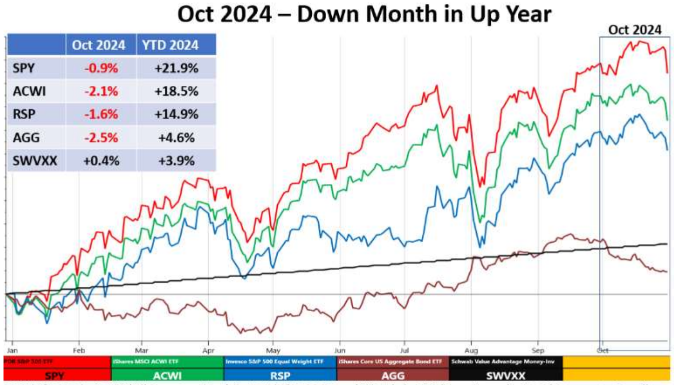
Stocks and bonds struggled last month… bonds faced a steady decline as interest rates rose. Stocks started strong but sold off late and finished in the red. **Year to date 2024 results are ahead of expectations**, especially considering formidable headwinds. As uncertainty ebbs, momentum favors the bulls.

Oct 2024 – Down Month in Up Year

	Oct 2024	YTD 2024
SPY	-0.9%	+21.9%
ACWI	-2.1%	+18.5%
RSP	-1.6%	+14.9%
AGG	-2.5%	+4.6%
SWVXX	+0.4%	+3.9%



SPY (S&P500), ACWI (All Country World), RSP (S&P500 Equal Weight), DIA (Dow Jones), AGG (Aggregate Bond), SWVXX (Cash)

Source: Investors FastTrack

The chart below shows the net performance of **our most popular composite** since inception (120 accounts – see disclosures on page 4). The 5+ years shown have been volatile including COVID and the 2022 Bear market. **Our strategy and discipline led to greater participation in gains than declines, allowing us to add value through this volatile time.**

Net Performance Since Inception (4/30/2019 – 10/31/2024)

	1-year	5-years	Since Inception
AIP Composite	+30.69%	+11.49%*	+11.58%*
Benchmark	+27.59%	+9.47%*	+9.38%*

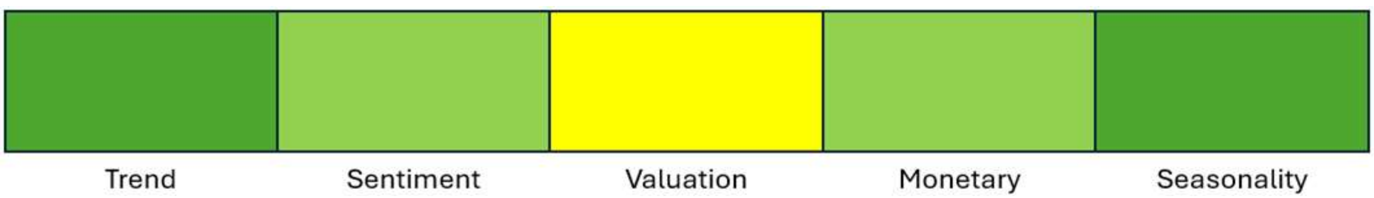
*Annualized

Source: Black Diamond (see Disclosures)

Insights and Commentary

Investing can be an emotional roller coaster, leading to costly mistakes. To navigate effectively as we seek greater participation in advances than declines, we have found it helpful to monitor a series of indicators and models based on 3 key tenants,

(Don't Fight the Fed, Don't Fight the Trend, Follow Sentiment Except at Extremes) The tiles below summarize current conditions:



Seasonal Shift…

Sell in May and Go Away is mainly a story of strength from November through May. The following quotes are from a 10/30/2024 Morningstar article and is consistent with similar research from the stock traders almanac:

"History suggests **the period from November through April is the best six-month window of the year** in terms of stock-market performance…

Since World War II, the S&P 500 has delivered an average return of nearly 7% from November through April, while posting an average performance of only 2% in the remaining six-month period, according to data compiled by CFRA Research…

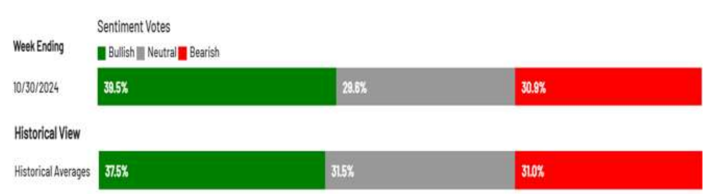
After the 12 previous times since 1945 that the S&P 500 gained 10% or more in the May-October period, stocks advanced an average of 13% in the subsequent November-April period."

Past performance is not predictive of future results, but **seasonal patterns are noteworthy, especially within the context of an up-trending market and a friendly Fed.**

Progress Report:

We believe our success is best measured by the success of our clients. As of 10/31/2024, fully 33% of the assets we manage are net gains AIP Clients have accumulated in their portfolios. Source: Black Diamond

Sentiment is neutral, leaning bullish…



Source: AAII.com

Considering this year's very strong start, one might expect a surge in investor confidence. Yet as noted above, **sentiment surveys are consistent with historical averages.**

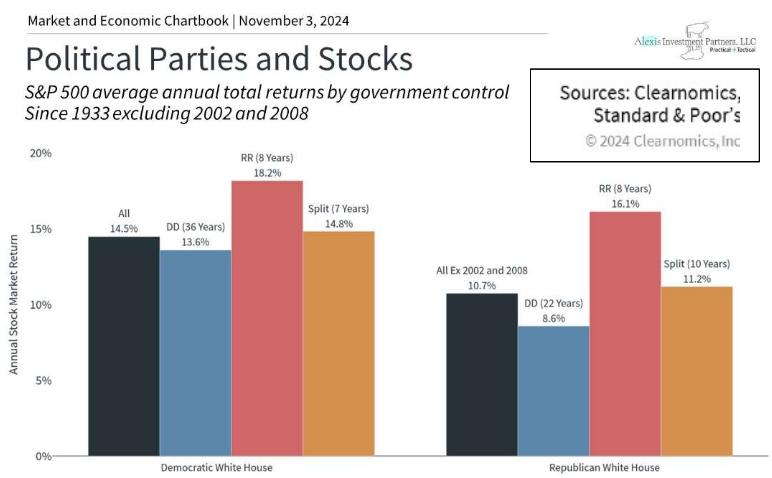
According to fsinsight, investors raised considerable cash by selling stocks over the past months. This **"cash on the sidelines" may help buffer declines and aid an advance as fear abates.**

Update, Observations, Indicators and Outlook:

You may have noticed our **new logo designed to highlight our goal of actively riding Bull markets and managing Bears.**

In terms of our current Market Pulse (right), **the Bull Market remains intact.** October was projected to be weak, and it was – November is historically friendly – we'll see…

The election is over, but uncertainty is likely to remain high as we work through global Fed easing, geopolitical risks, election ramifications, innovation and the potential impact of AI on global productivity. Setting aside one's personal preferences, the chart below is encouraging from a market perspective.



It will be interesting how things evolve with respect to tax policy, regulatory direction and possible widespread tariffs. We look forward to sharing our thoughts as we see how things evolve. We hope for peace and prosperity both locally and abroad.

The next big news event will be the Fed announcement 11/7. The Fed is expected to continue to ease from a restrictive to a more neutral posture.

We expect market-based yields to rise marginally to offer investors a yield that reflects inflation, time premium and credit risk. This is precisely what we observed in October as bond yields rose following the initial Fed cut of this cycle.

The good news is that these **marginally higher interest rates indicate a perception of sustainable growth.** Stock market gains also reflect this potential.

As always, **we continue to opportunistically adapt portfolios based on your goals, updated insights, prudent risk management and long-term trends.**

Market Pulse:

We try to avoid jargon, but a few terms are helpful when describing financial conditions.

Bull Market: markets trending up (making higher highs on rallies and higher lows in periods of decline). **We can expect periodic pullbacks and corrections, but these should be relatively short and shallow – followed by resumption of the up-trend.**

Consolidation: after a period of strong gains or steep declines sometimes markets become range bound, moving up and down by 3-5% over several weeks. After consolidation, the prior trend resumes.

Pullback: a decline of 3-5% that generally happens at least twice per year. Pullbacks often resolve within a few weeks.

Correction: a decline of 5% to 10% that typically happens once per year. Like pullbacks, markets recover quickly after corrections, generally within 3- 6 months.

Bear Market: a decline of 20% or more. Many bear markets are fully recovered within 18- 24 months, but severe bear markets like 2000-2003 and 2007-2009 can take 5-7 years or longer to recover from.

Bottoming Process: After a correction or bear market, stocks often bounce and re-test lows multiple times before recovery.

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Closing Comments:

Several clients have recently been speaking with friends who are looking to make a change either because they are nearing a life transition or have been unhappy with their current advisor.

We appreciate your referrals and are pleased that our company continues to enjoy steady growth. Our focus is always on providing exceptional service and performance and we are very grateful for your confidence and support!

Although our focus is on financial planning and investments, we also have relationships and resources to help with life and LTC insurance and annuities.

AIP acts as a 3(38) Fiduciary Advisor to 401k plans and has been able to help several small business owners reduce costs, significantly improve their plans and offload some of their liability as plan sponsors while creating a better experience for employees.

Please call and/or email me personally for most of your account servicing needs and especially when you have questions or concerns.

Disclosures

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