

Market Notes September 26, 2023:

Current headwinds and headline news:

Pending government shutdown, Fed hawkishness calling for interest rates to remain elevated. United Auto Worker strike.

I view the current 5%+ move down in the S&P500 as a temporary pullback in an ongoing bull market. From an historical perspective, years when the months of August and September were down more than 1%, the S&P500 was, on average, plus 4.5% in October, 7% on average for the remainder of the year. Reviewing the data and reported fundamentals, I see no reason why this year won't be any different.

Also, taking a look at the entire year, when the S&P500 index, January through July, is up greater than 10%, and August is negative, the average return for the S&P500 is +9.9% (see Ned Davis Research below). October, November, December historically are positive months, and I believe the fourth quarter will surprise to the upside and the current bull market will continue.

Market stats also suggest stocks are extremely oversold and ready to trade higher:

1. Investor sentiment has turned decidedly negative. There are more bearish individual investors than bullish individual investors, as reported by the American Association of Individual Investors. Only 31.3% of individual investors are currently bullish.
2. The 10 day moving average equity put/call ratio has indicated a buy signal, above the .80 mark. Large put positioning usually occurs at market bottoms.
3. The percentage of NASD stocks above the 50 day moving average is in extreme oversold territory, only 17.89% of issues are above their 50 day average, suggesting the market is at or close to bottom.
4. From a fundamental and technical standpoint, Sam Stovall, the well respected Chief Investment Strategist of CFRA research, argues equities are in the early stages of a new bull market.

<https://www.youtube.com/watch?v=a56O8RxPfdw>

The four minute video is worth watching. Stovall argues for continued earnings growth, and that current headline concerns will dissipate.

5. As for the long term, in July 2023, the S&P500 recorded a bullish Coppock indicator signal which is an indication of a new and positive long term bull market. The last Coppock signal generated on the S&P500 was in 2009/2010. The average return one year later is 30.2%.

Charts/Data all attached.

From Ned Davis Research

