Ridgetop Wealth Management

Market Update – September 2024

Thank you J. Powell

As we write this the Dow is up almost 600 points following the Federal Reserve's decision to lower short term interest rates by 50 basis points. The market is obviously reacting positively to the Fed's easing of monetary policy. Like you, we want this market to go to the moon, but in the very short term we would say it's likely there will be fits and starts until November is upon us.

A Few Rules

Rule #1: The market can and will act unpredictably in the very short term.

Rule #2: In the words of Mark Twain, "History does not repeat itself, but it rhymes."

Historically the second half of September has been the weakest two week stretch of the year for the markets. During election years the weakness has extended into October. This phenomenon could very well be applicable this year as the market still has a lot to digest when it comes to monetary policy, emerging economic data, and an impending Presidential election.

The (Very) Good News

- Both short-term and long-term technical indicators suggest a year-end rally and continuation of the bull leading into November and December.
- From a technical perspective the stock market remains healthy. The S&P 500 remains in a "golden cross" signal (where the 50-day moving average is above the 200-day morning average), and 70% of stocks are above their 200-day moving averages. Also the total volume of advancing stocks has been consistently above the volume of declining stocks.
- End of year rallies are stronger in election years.
- From our vantage point the risk of a severe global recession remains low.
- The Fed and other global central banks are now in an easing cycle. Equities historically tend to rally when we've hit this point, especially when not around a severe recession.
- Strong U.S. data, like better than expected U.S. retail sales in August support continued real GDP growth in Q3, and highlight the resilience of the economy.

In Summary

It’s anyone’s guess how this market will react over the next few weeks. Seasonality and a contentious election are real headwinds. That said, a friendly Fed could overshadow negative seasonality. The good news is that barring any major geopolitical events (which in our opinion used to be much more top of mind for the market, but is no longer), all the ingredients are there for this market to continue to hit fresh new highs into the end of the year.