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1987-2024

37 YEARS

NAVELLIER

INVESTMENT COMMENTARY & OUTLOOK

April 2024

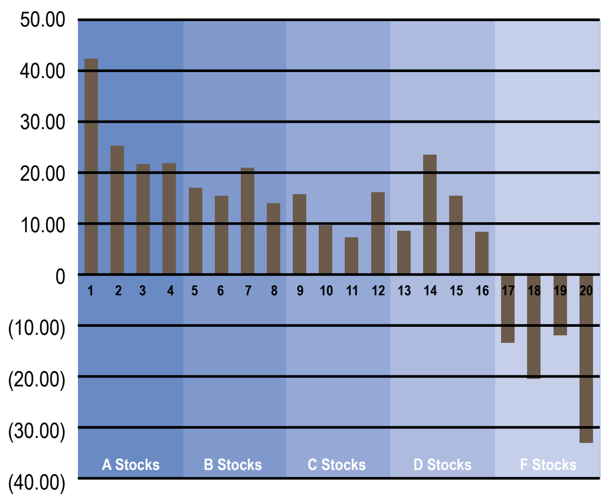
The S&P 500 had the best start to the year in the first quarter in the past 5 years. The average stock in the S&P 500 posted fourth-quarter sales and earnings that were 1.3% and 6.7%, respectively, better than the analyst community had anticipated. These impressive results were aided by easy year-over-year comparisons. However, the analyst community has been revising their consensus estimates higher in the wake of these impressive sales and earnings surprises.

I expect the next two quarters to also have favorable year-over-year comparisons, so we are especially optimistic for the first and second quarter announcement seasons. Furthermore, we are anticipating coordinated central bank rate cuts from the Bank of England, the European Central Bank and the Fed. Finally, if the historical trading pattern persists, the rally should continue, right up to the November Presidential election.

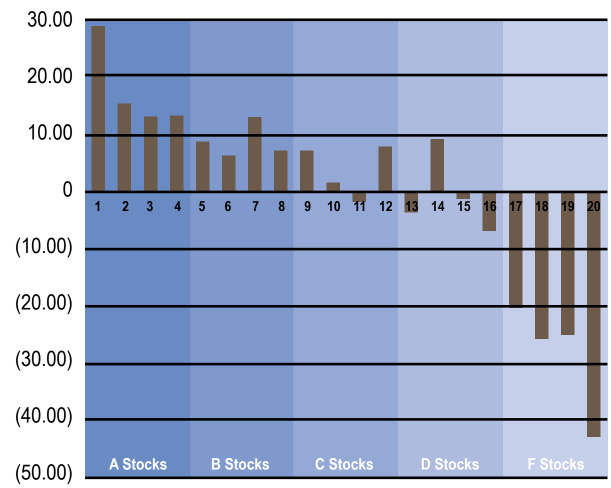
Our growth portfolios are off the best start to the year in 25 years, when we had to two growth portfolios up roughly 100% back in 1999. To say we are excited for the prospects for 2024 is an understatement, since we appear to be in a perfect storm fueled by favorable year-over-years comparisons, accommodative central banks, and rising consumer confidence, as well as investor confident as the leading Presidential candidates promise everything and anything! In addition, backtesting our Stock Grader at the end of this quarterly announcement season showed that the Top 35% (first seven bar charts on the left) are clearly beating the overall stock market, while the Top 5% (first bar chart on the left) are extraordinary:

1-Year Quantitative Backtest through 2/23/2024

1-Year Return of PortfolioGrader through 2/23/2024



1-Year Return of 8-Factor Fundamental Model through 2/23/2024



Source: Navellier & Associates and Ridgeline Inc. Graphs are for illustrative purposes only. Past performance does not guarantee future results. Results presented include reinvestment of dividends and other earnings. None of the stock information, data, and company information presented herein constitutes a recommendation by Navellier or a solicitation of any offer to buy or sell any securities.

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Essentially, our strong start to 2024 is largely due to the fact that our stock selection model is locked in on "what is working on Wall Street" and Stock Grader is decaying in a very predictable, orderly pace. Just so you know, Stock Grader is not always this predictable, since back in January 2023, the F-rated stocks surged due to a short-covering rally. However, as you can see in the foregoing charts, the F-rated stocks have performed poorly in the past year.

We know you are wondering, What can go wrong. Well, let's address those issues. First, Fed Chairman Jerome Powell recently spoke at Stanford Business School and said the Fed still has time to access the recent inflation data before deciding when to start cutting key interest rates. However, on the next day, Minneapolis Fed President Neel Kashkari said that he penciled in two rate cuts this year, but that if inflation continues to stall, none may be required this year. Yikes! Clearly, Kashkari threw a wrench in the works.

Second, we are now in the midst of a seasonal surge in gasoline and crude oil prices as demand rises in the spring. We are proud to hold refinery and energy related stocks that are profiting from higher prices at the pump. However, higher energy prices are also inflationary and could derail potential central bank cuts, even though the Fed likes to exclude food and energy to focus on core inflation rates.

Third, President Biden recently demanded an immediate cease fire from Israeli Prime Minister, Bibi Netanyahu. Complicating matters for Israel is that the CIA warned that Iran will retaliate after the missile attack on Iran's consulate in Damascus, Syria. Israel has vacated its embassies around the world in anticipation of Iranian retaliation. So essentially, the fears of World War III are growing as the unrest in the Middle East spreads.

Finally, the world is a mess and mass starvation is becoming increasingly likely due to an acute fertilizer shortage that may compound the aid relief to Cuba, Haiti and Gaza. The farmer protests in Europe are partially due to the restrictions on chemical fertilizers, so the ruling elite can comply with the Paris Climate Accord. Still, in the U.S.,we are food and energy independent, so we have a natural competitive advantage.

Despite these challenges, they say bull markets climb a wall of worry. If you turn on Bloomberg Television the most common topic is FOMO or "fear of missing out." You already have seen what market leaders have done this year and we expect many more of our fundamentally superior stocks to follow. Presidential election years breed optimism, since America can sense that change is coming. A growing sense of (1) consumer & investor optimism, (2) two more quarters of easy year-over-year comparisons and (3) I believe the coordinated central bank rate cuts are expected to make 2024 one of the best years for our fundamentally growth stocks since 1999!

SUMMARY

The melt up in our fundamentally superior growth stocks is expected to persist, since the analyst community are revising their consensus earnings estimates higher. Furthermore, we have two more quarters of positive year-over-year earnings comparisons to look forward to. The Fed, the Bank of England and the ECB are expected to be cutting key interest rates in June, which should help to spark a stock buying frenzy. Finally, the Presidential election helps to boost both consumer and investor confidence, so we expect steady appreciation right up to, and especially after, the November presidential election.

The other thing of interest is that only Brazil, India, much of the Middle East and the U.S. have growing populations fueled by birthrates and/or immigration. Although Canada has a lot of immigrants, its population dropped in 2023. China's population was the big loser and lost 2.08 million people last year. Ukraine recently boasted that its economy has resumed growing, but since it has lost approximately 35% of its population (14 million people), it is highly questionable if Ukraine's economic growth can ever fully recover. In the U.S., we are food and energy independent, so we have a natural competitive advantage in a shrinking world. This is why the U.S. dollar is now at a 34-year high relative to the Japanese yen. The U.S. is viewed as an oasis by much of the world.

Regardless of who become the next President, the U.S. will remain great due to the fact that our states naturally compete with each other. So we remain optimistic, regardless of political gyrations that are expected to unfold in the upcoming months.

I am sure that you have seen how our fundamentally superior growth stocks can become the market leaders. We remain optimistic that more stocks in our growth portfolios will also break out and lead the overall stock market. We see a growing sense of (1) consumer and investor optimism, (2) two more quarters of easy year-over-year comparisons and (3) I believe the coordinated central bank rate cuts are expected to make 2024 one of the best years for our growth stock since 1999!

Enjoy the ride. I believe it is going to be a wonderful year!

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