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INVESTMENT COMMENTARY & OUTLOOK

October 2024

There have been a few October surprises. First, the tension in the Middle East exploded after Iran launched approximately 200 missiles into Israel that were successfully intercepted, but now the world is waiting to see how Israel will respond. Second, Florida Governor Ron DeSantis said that the damages from Hurricane Milton avoided a "worst case scenario," despite the fact that Siesta Key, Sarasota and the Tampa baseball stadium sustained severe damage. Additionally, the economic uncertainty is also diminishing, especially in light of a recent big surge in the ISM service index. In fact, the Atlanta Fed is now predicting 3.2% annual third quarter GDP growth.

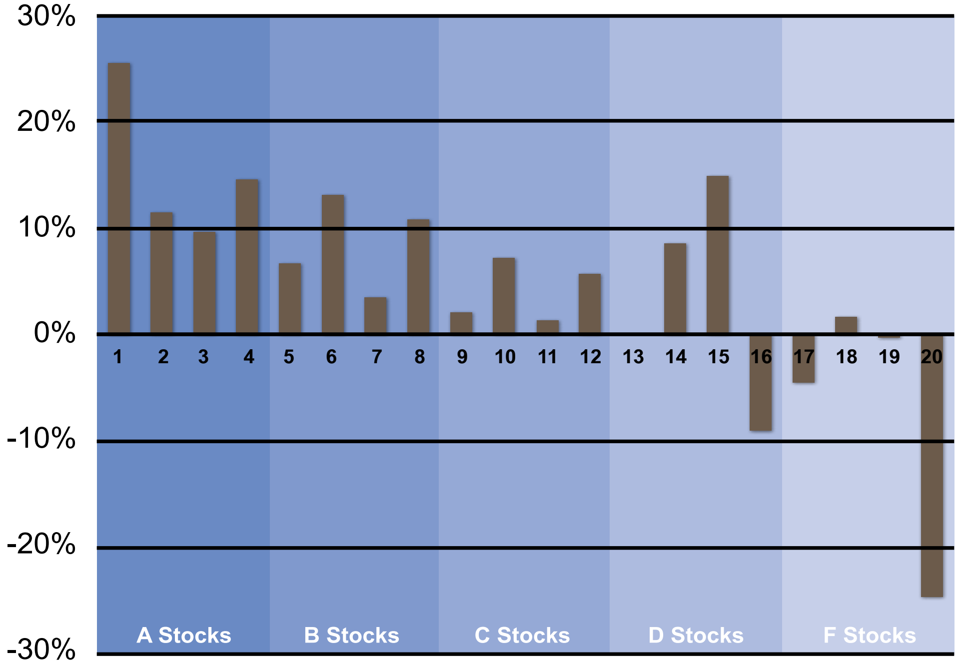
The Federal Open Market Committee (FOMC) on September 18th cut key interest rates 0.5% and the FOMC "dot plot" is now predicting two more 0.25% key interest rate cuts at the November and December FOMC meetings. Furthermore, the dot plot also predicted three more 0.25% key interest rate cuts in 2025. The only "glitch" is that Treasury yields have risen significantly since the Fed cut key interest rates on September 18th due to positive economic news as well as higher crude oil prices from the fear of escalation in the Middle East.

Interestingly, Israel has been successful in eliminating the leadership of Iran's proxies, like Hamas and Hezbollah, but is no longer sharing major intelligence with the U.S., possibly to protect its Mossad agents in Iran. As a result, despite the fact that the U.S. sent more troops to the Middle East as a deterrent, as well as to evacuate Americans, Israel is acting in self-defense and no longer appreciates input from the Biden Administration. Finally, the fighting between Russia and Ukraine has essentially been a stalemate and may result in a cease-fire agreement as winter approaches.

Amidst all the uncertainty in the world, an investor's best defense remains a strong offense. The expectations for the third-quarter earnings remain a bit muted with 4.8% forecasted annual earnings growth for the S&P 500. As always, we have positioned our portfolios with what our research tells us are fundamentally superior stocks that we believe will announce wave after wave of better than expected sales, earnings and positive guidance in the upcoming weeks.

At the end of each quarterly announcement season, we retest how Navellier's Stock Grader is performing. The main conclusion from the latest back-test, as of August 30th is that the Top 5% of our 6,000+ stock universe remains the place to be, as the next chart illustrates:

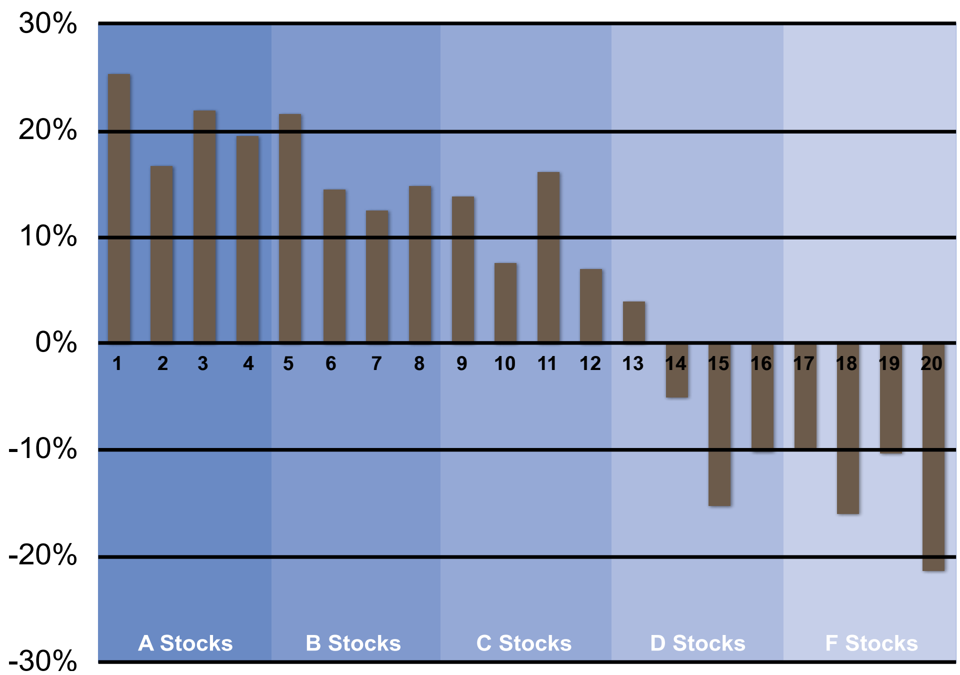
1-Year Return of Stock Grader through 8/30/2024



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.

Also important is that the Top 55% of stocks with the highest fundamental scores (i.e., A, B & C Fundamental grades) as of August 30th are performing much better than the overall stock market, as the following chart illustrates:

1-Year Return of 8 Factor Fundamental Model through 8/30/2024



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After the November Presidential election, Wall Street should celebrate the removal of political uncertainty, unless the election results are challenged. We are expecting an early "January effect" and a traditional Thanksgiving rally, since consumer sentiment naturally improves in the holidays. Fortunately, there will be presents for kids and grandkids this holiday season, since the International Longshoreman Union stopped their three-day strike and extended their current contract until January 15th after agreeing to a tentative 61.5% pay increase over six years.

The other interesting development is than the money supply, based on M2 (cash and savings accounts, excluding retirement accounts and CDs above $100,000) has surged in recent months. The stock market is very correlated to M2, so as money supply surges, the stock market has historically risen impressively. So, with economic uncertainty diminishing (as the Fed continues to cut key interest rates) and political uncertainty diminishing (due to the Presidential election), the stock market is poised to rally, provided that World War III does not materialize.

Overall, we are immensely proud that our Stock Grader database is identifying what we believe are the best stocks to buy. We expect that the breadth and power of the overall stock market to improve as the seasonally strong time of year for small-to-mid capitalization stocks approaches and an early "January effect" ensues. The fact that economic and political uncertainty is diminishing bodes well for an impressive year-end rally!

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