Alexis Investment Partners, LLC
Practical Tactical

AIP Monthly Chartbook

Jason Browne, ChFC | President | October 1, 2024

Powered by Clearnomics

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Stock Market Cycles

S&P 500 Index over the past 50 years (Log Scale)

Latest data point is Sep 30, 2024

- As this chart shows, the stock market has performed well over the past 50 years despite short-term ups and downs.
- These periods of turbulence were due to economic, political and global turmoil during those decades.
- This emphasizes the importance of staying invested, rather than focusing on days or months, especially as volatility rises.

Sources: Clearnomics, Standard & Poor's

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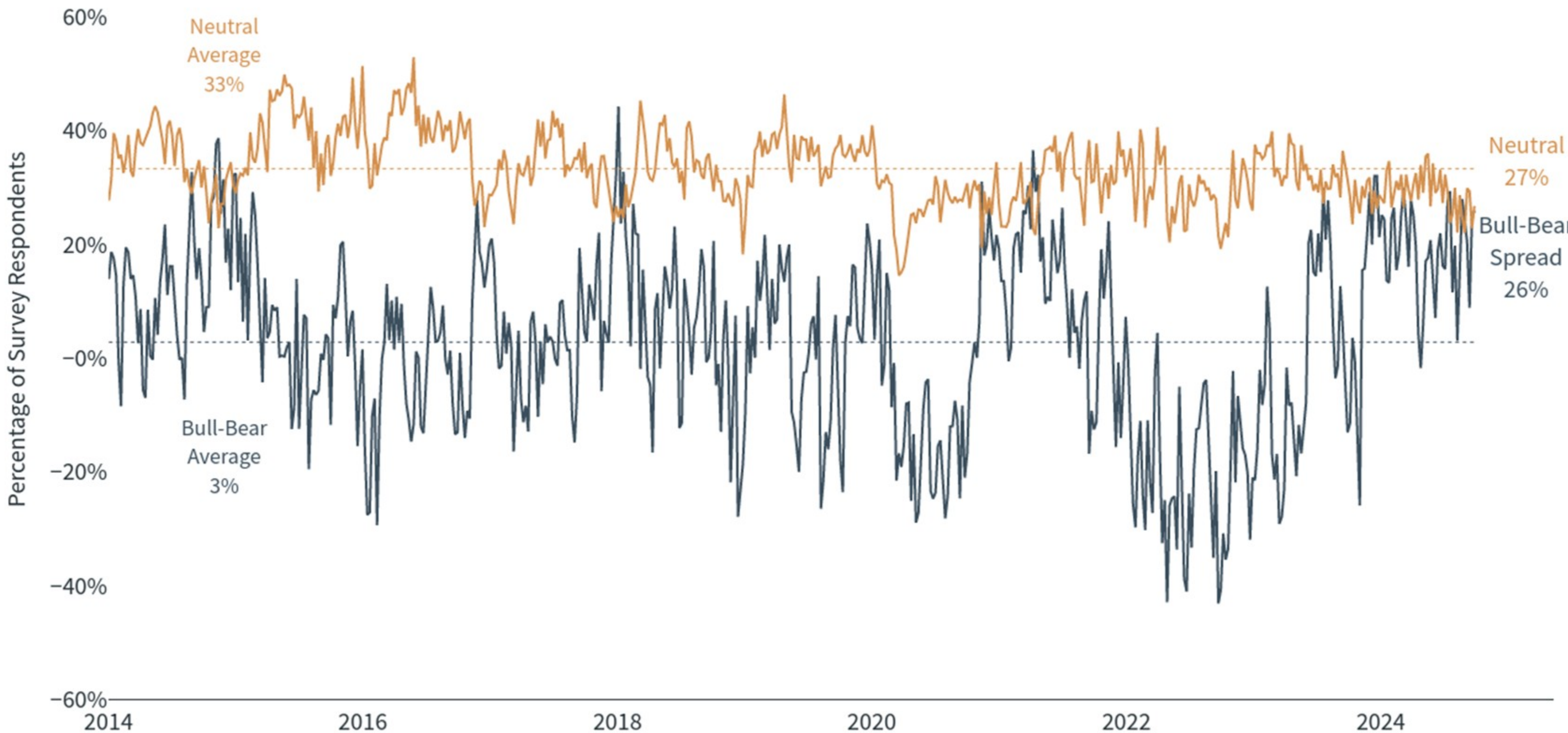
Investor Sentiment

AAII Investor Sentiment Survey



Latest data point is Sep 26, 2024

- Investor sentiment has swung wildly on a weekly basis over the past few years.
- Sentiment is often a contrarian indicator since stock market bubbles are often characterized by irrational exuberance.
- Staying disciplined often means not over-reacting to short-term market movements.

Sources: Clearnomics, AAII

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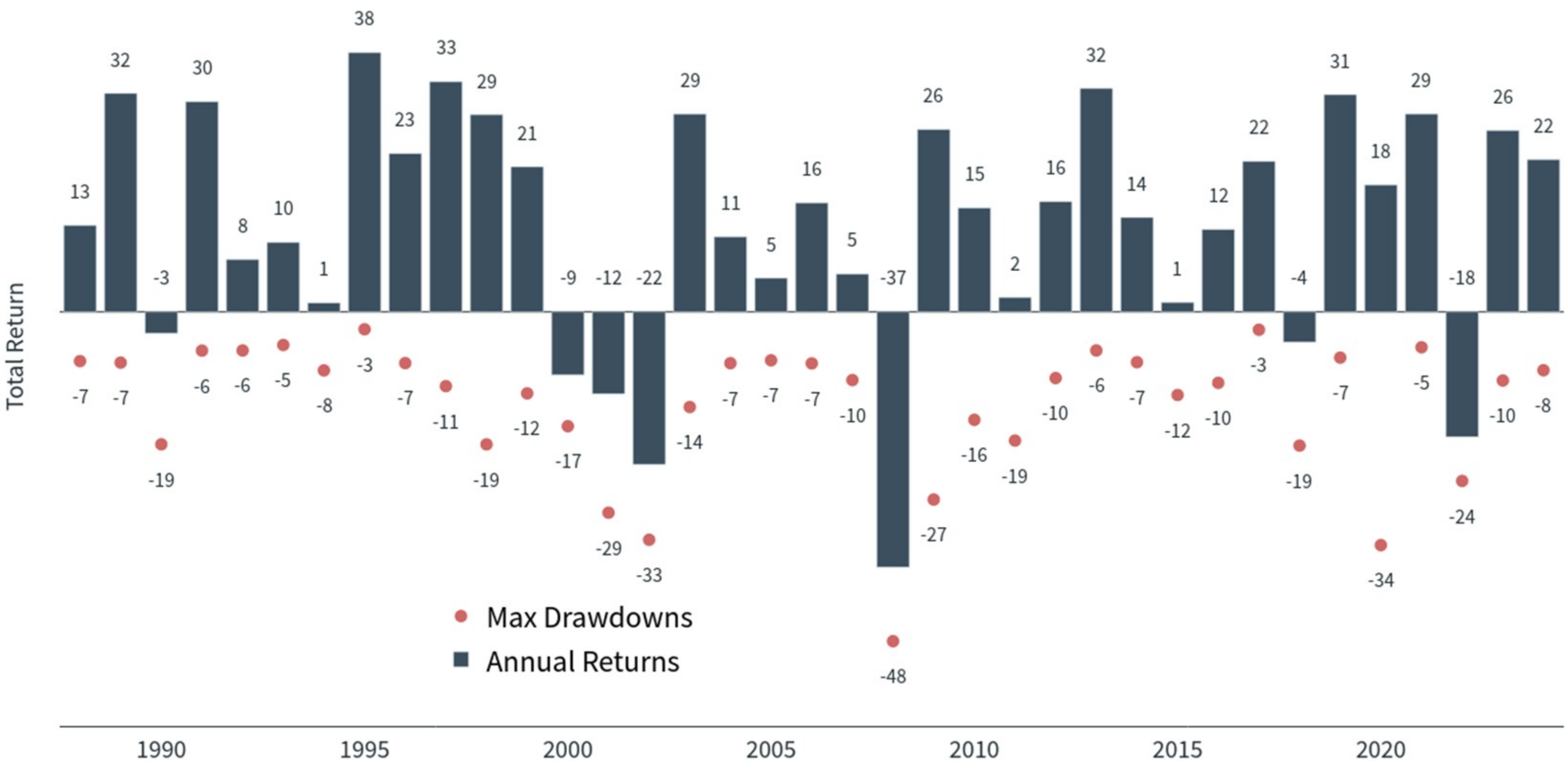
Total Returns and Pullbacks

S&P 500 Index total returns. Max drawdown represents the biggest intra-year decline



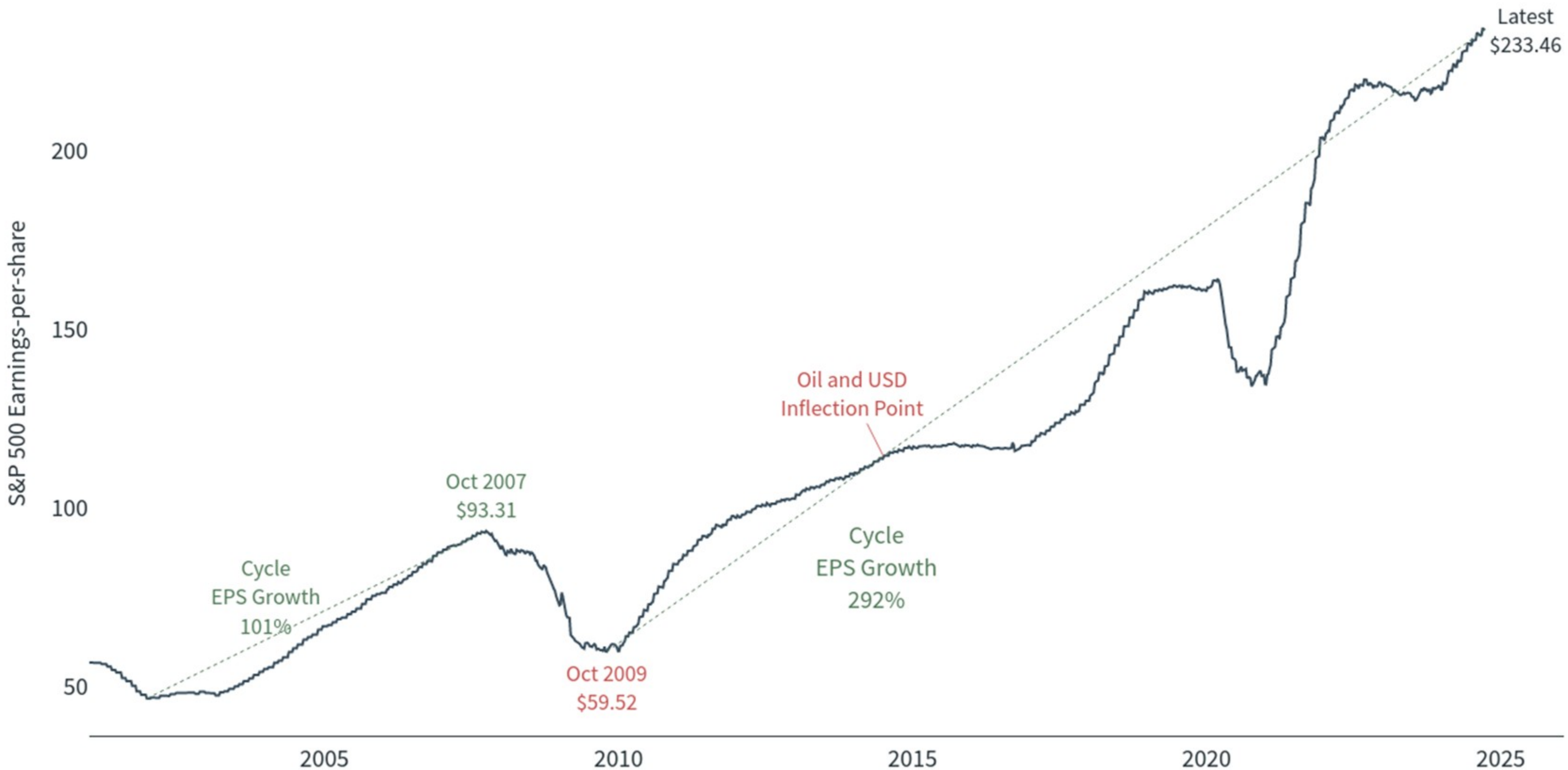
- This chart shows total returns of the stock market (bars) and the largest intra-year decline (dots) each year.
- The average year sees a significant intra-year drop. However, most years still end in positive territory, especially with dividends.
- Volatility in prices is a normal part of investing. It is important to not forget that investments also generate income.

Latest data point is Sep 30, 2024

Source: Clearnomics, Standard & Poor's

S&P 500 Earnings Per Share

Trailing 12-month earnings per share



Latest data point is Sep 24, 2024

- The growth in corporate earnings has been a major driver of stock market returns across history.
- Earnings could begin to pick up again due to stronger-than-expected economic growth.
- Companies in many sectors continue to hire and expand despite economic uncertainty.

Sources: Clearnomics, LSEG

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Historical Interest Rates

10-year and 2-year yields since 1960

Latest data point is Sep 30, 2024

- Interest rates had been on a declining trend since the 1970s, resulting in a multi-decade bull market for bonds.
- Rates have been rising over the past two years in a way that breaks this long-term historical pattern.

Sources: Clearnomics, Federal Reserve

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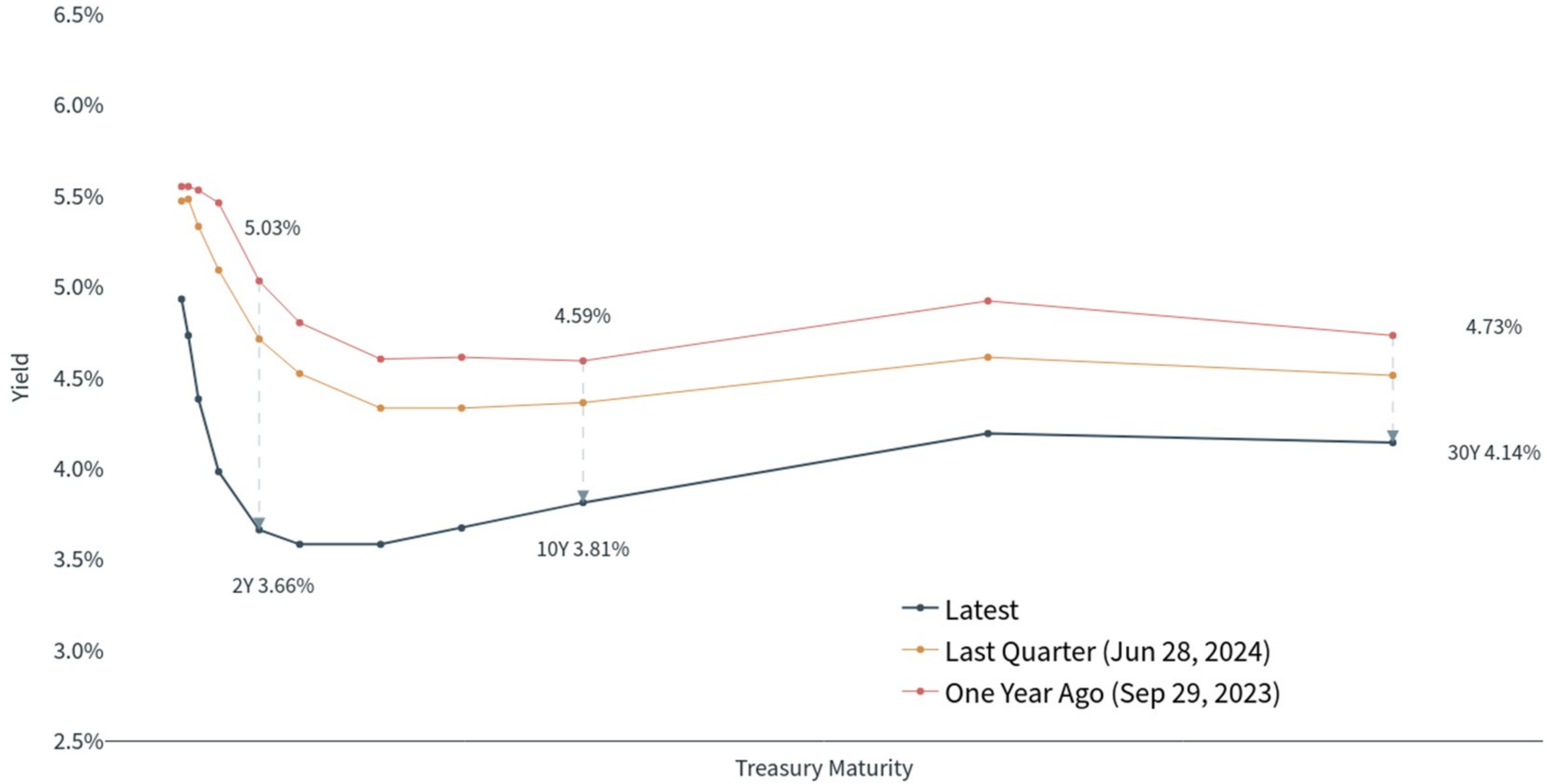
Treasury Yield Curve

The shape of the U.S. Treasury curve last year versus today



Latest data point is Sep 30, 2024

- The yield curve has re-steepened due to Fed rate cuts.
- Short-term yields could continue to fall as the Fed lowers rates.
- Long-term rates could also remain high or rise further if economic growth remains steady.

Sources: Clearnomics, Federal Reserve

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Mortgage Rates

30-Year Fixed Rate Mortgage

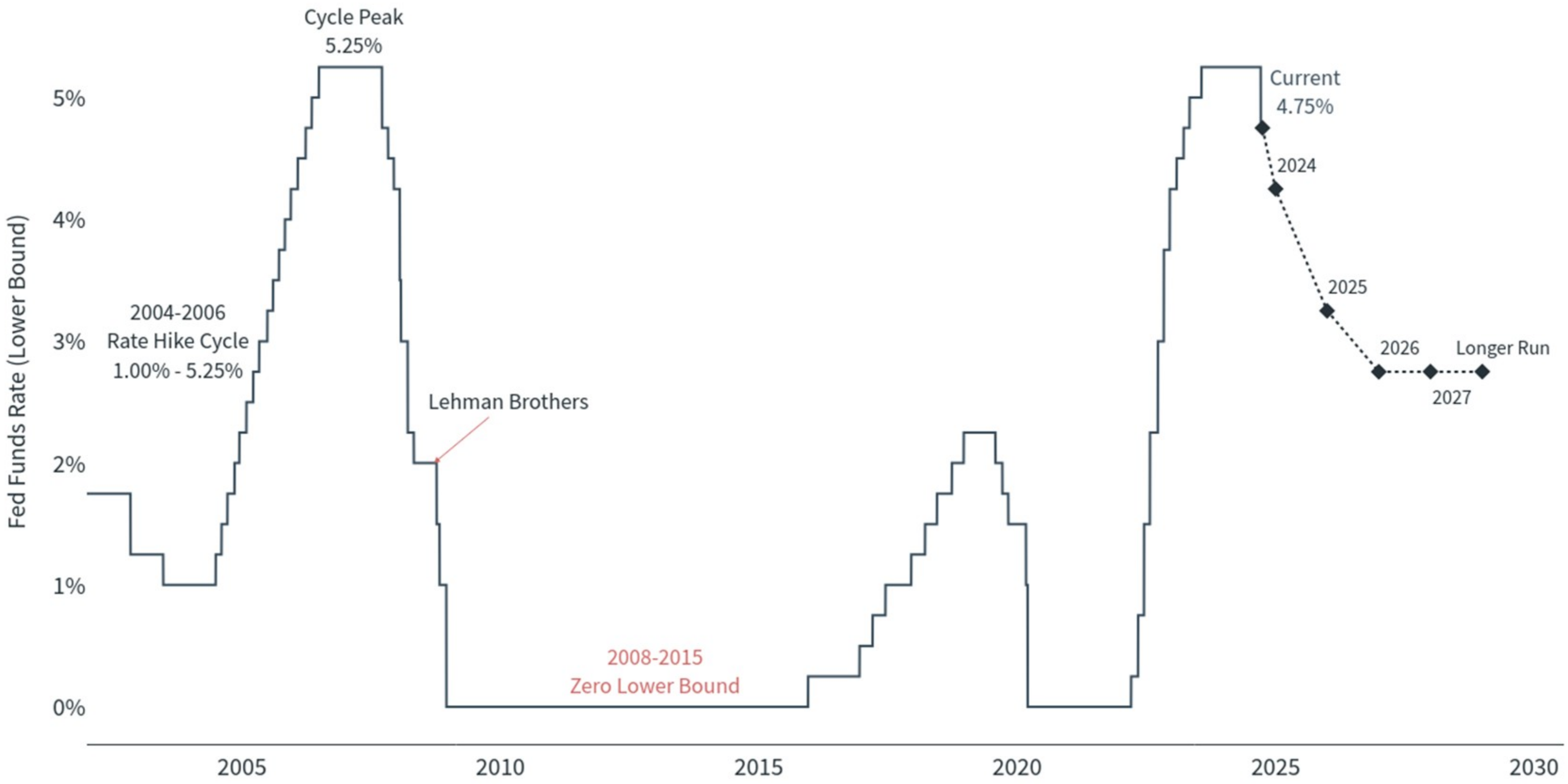
Latest data point is Sep 26, 2024

- Mortgage rates have been high over the past few years but could begin to fall as the Fed cuts rates.

Sources: Clearnomics, Freddie Mac

Federal Funds Rate

Target range lower limit

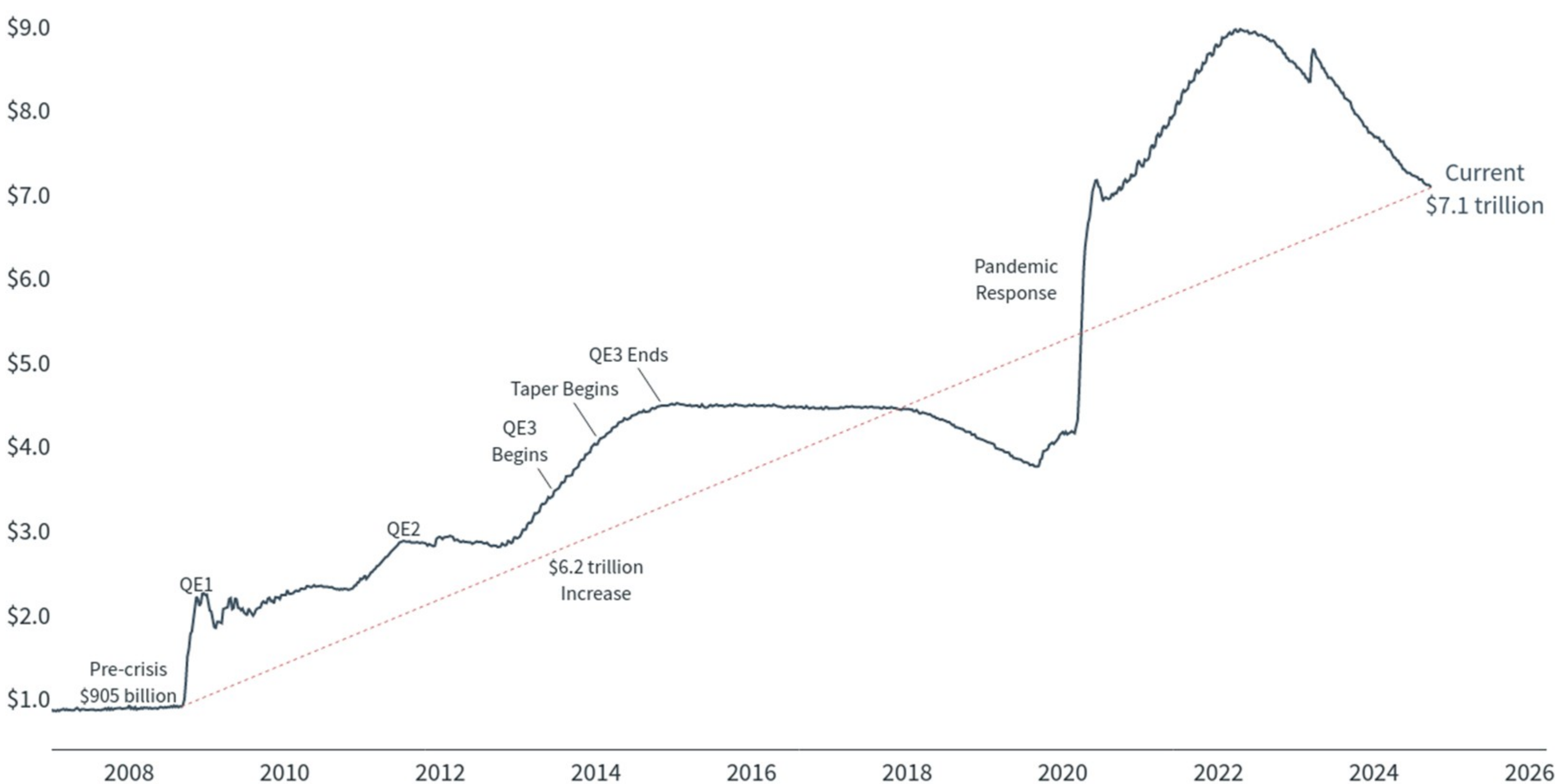


Latest data point is Sep 2024

- The Fed has now begun its rate cut cycle which could continue through 2026.

Sources: Clearnomics, Federal Reserve

Federal Reserve Balance Sheet



Latest data point is Sep 25, 2024

- The Fed has used its balance sheet to spur the economy by buying financial assets and providing liquidity to the system.
- The Fed increased its balance sheet to record levels but is now allowing assets to run off as they mature.

Sources: Clearnomics, Federal Reserve

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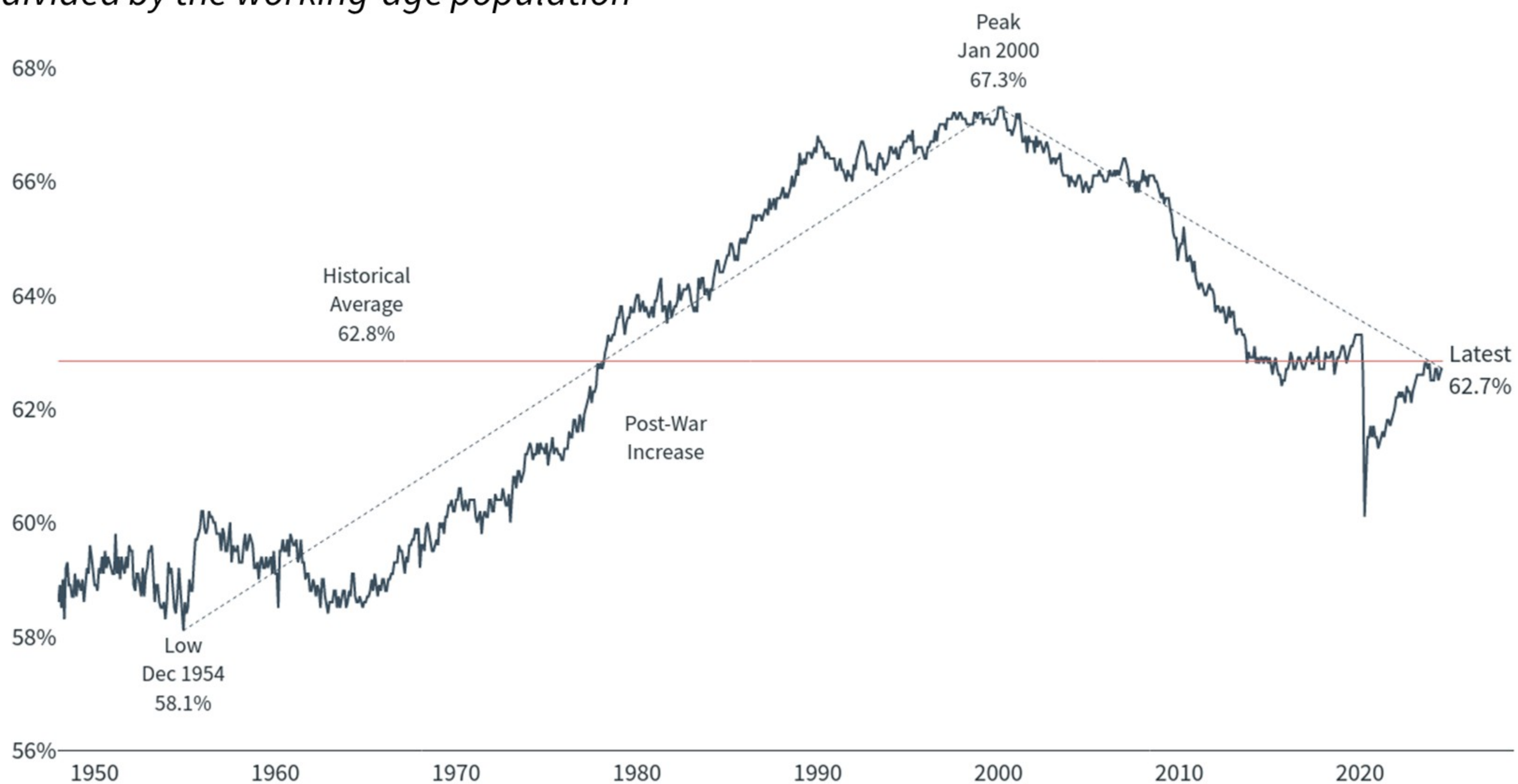
Labor Force Participation

Percentage of the population working or actively seeking work divided by the working-age population



Latest data point is Aug 2024

- The labor force participation rate is simply the percentage of the working age population in the labor force.
- It is the result of long-term trends such as retiring baby boomers, advances in technology, and globalization.

Sources: Clearnomics,
Bureau of Labor Statistics

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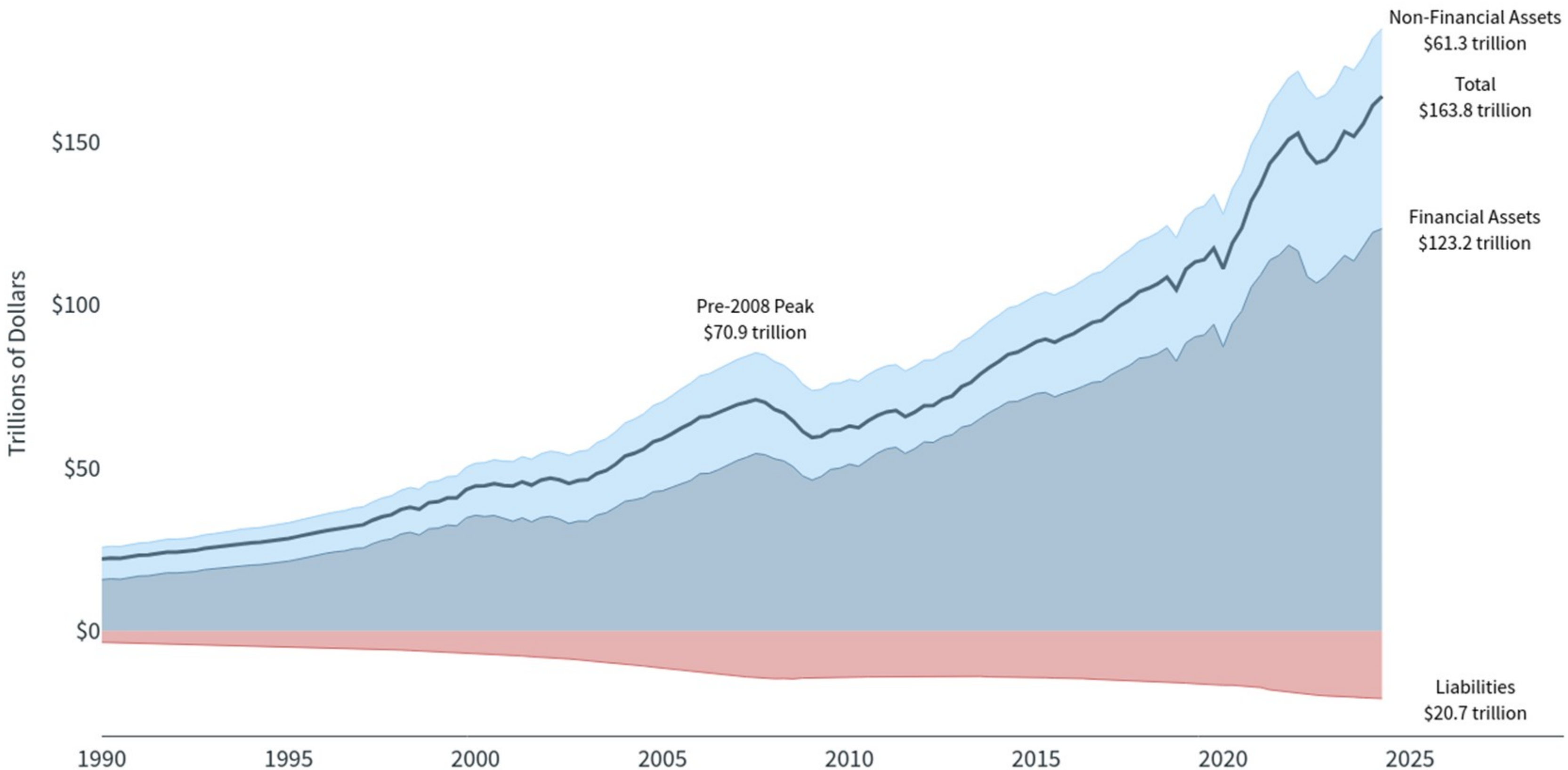
Household Net Worth

Federal Reserve Z.1 financial accounts report for the U.S.
The net worth of households and nonprofits



Latest data point is Q2 2024

- Household net worth has reached new record levels, exceeding the pre-pandemic high of around $150 trillion.
- U.S. net worth is sensitive to stock market returns and home prices.

Sources: Clearnomics, Federal Reserve

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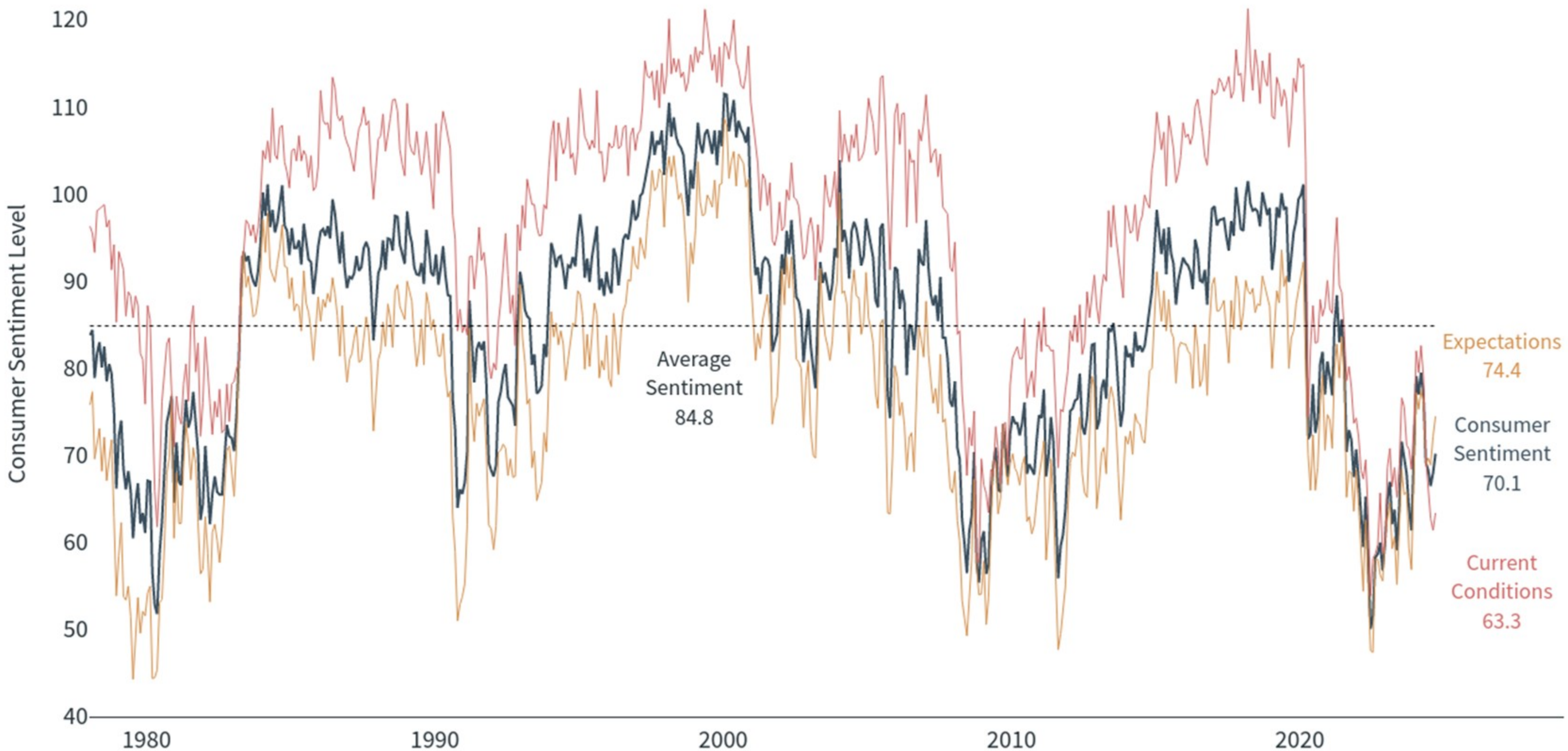
Consumer Sentiment

University of Michigan Surveys of Consumers - Consumer Sentiment, Current Economic Conditions and Consumer Expectations



Latest data point is Sep 2024

- This chart shows the University of Michigan Consumer Surveys. There are indices for sentiment, current conditions and expectations.
- Consumer sentiment is an important indicator. Consumers tend to do well when the economy and markets are doing well, and vice versa.

Sources: Clearnomics, University of Michigan

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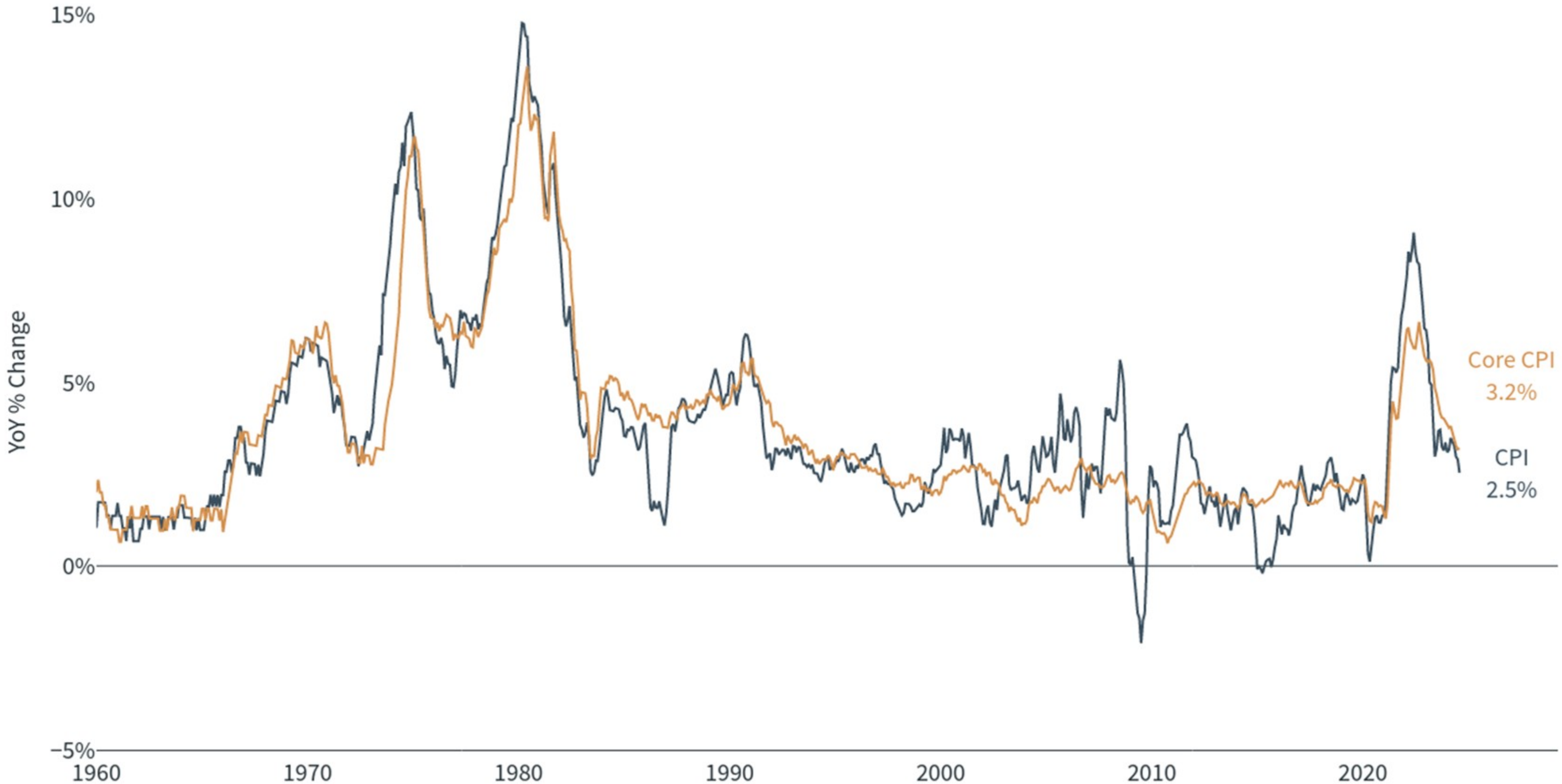
Consumer Price Index

CPI and Ex Food and Energy, YoY % Change



Latest data point is Aug 2024

- CPI is a commonly cited measure of inflation. It uses a basket of goods and services to track price changes for consumers.
- In order to measure the underlying trend in inflation, rather than temporary shocks to food and energy, economists often focus on core CPI.
- There are signs that inflation continues to subside and that price pressures could gradually return to the Fed's target.

Sources: Clearnomics, Bureau of Labor Statistics

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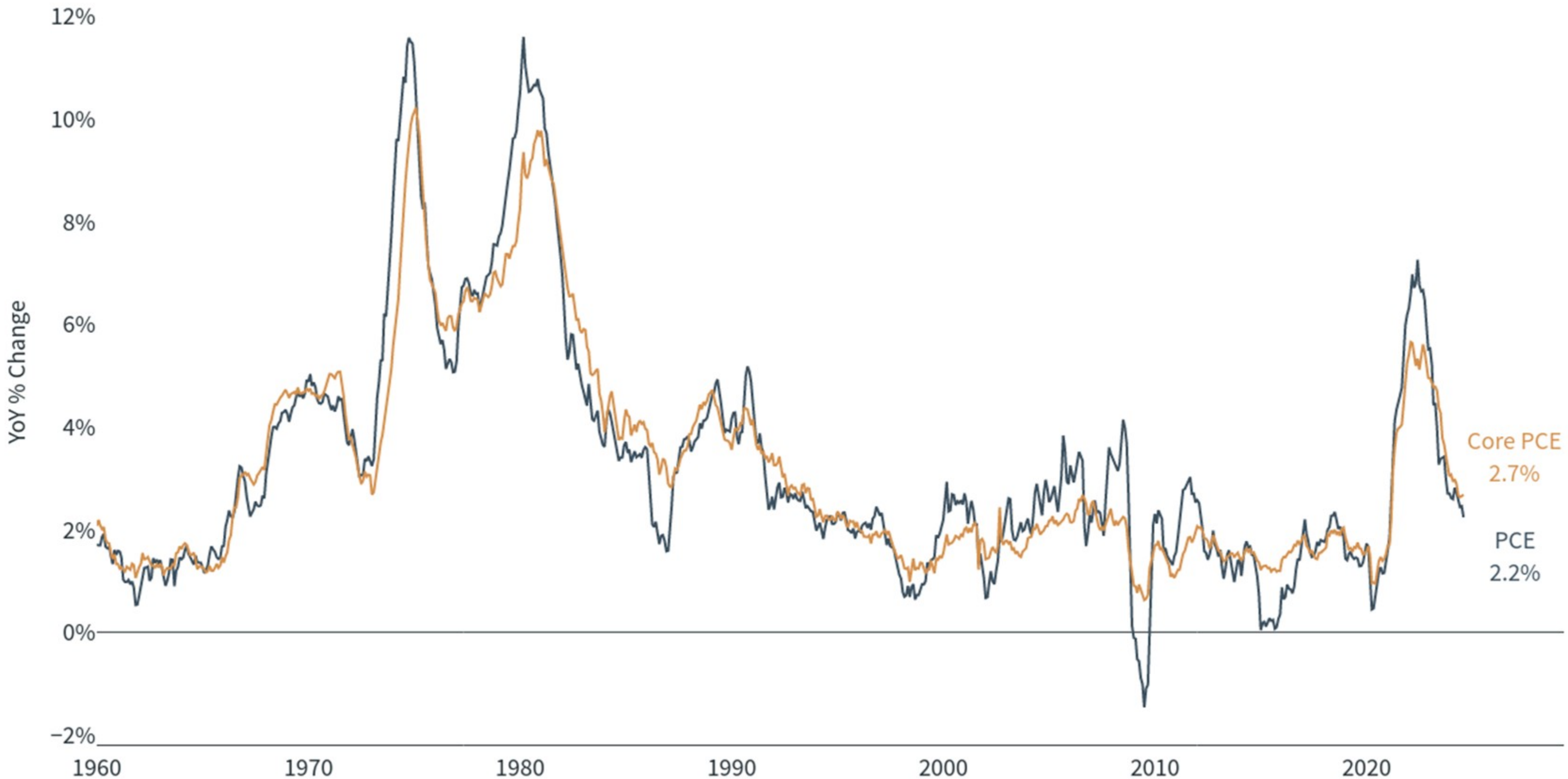
PCE Inflation



Latest data point is Aug 2024

- The PCE price index is the official measure of inflation for the Federal Reserve. Historically it has been slightly lower than CPI.
- Similar to CPI, PCE has improved and is approaching the target level set by the Fed.
- The goal of the Federal Reserve has historically been to maintain a 2% target on core PCE.

Sources: Clearnomics, Bureau of Economic Analysis

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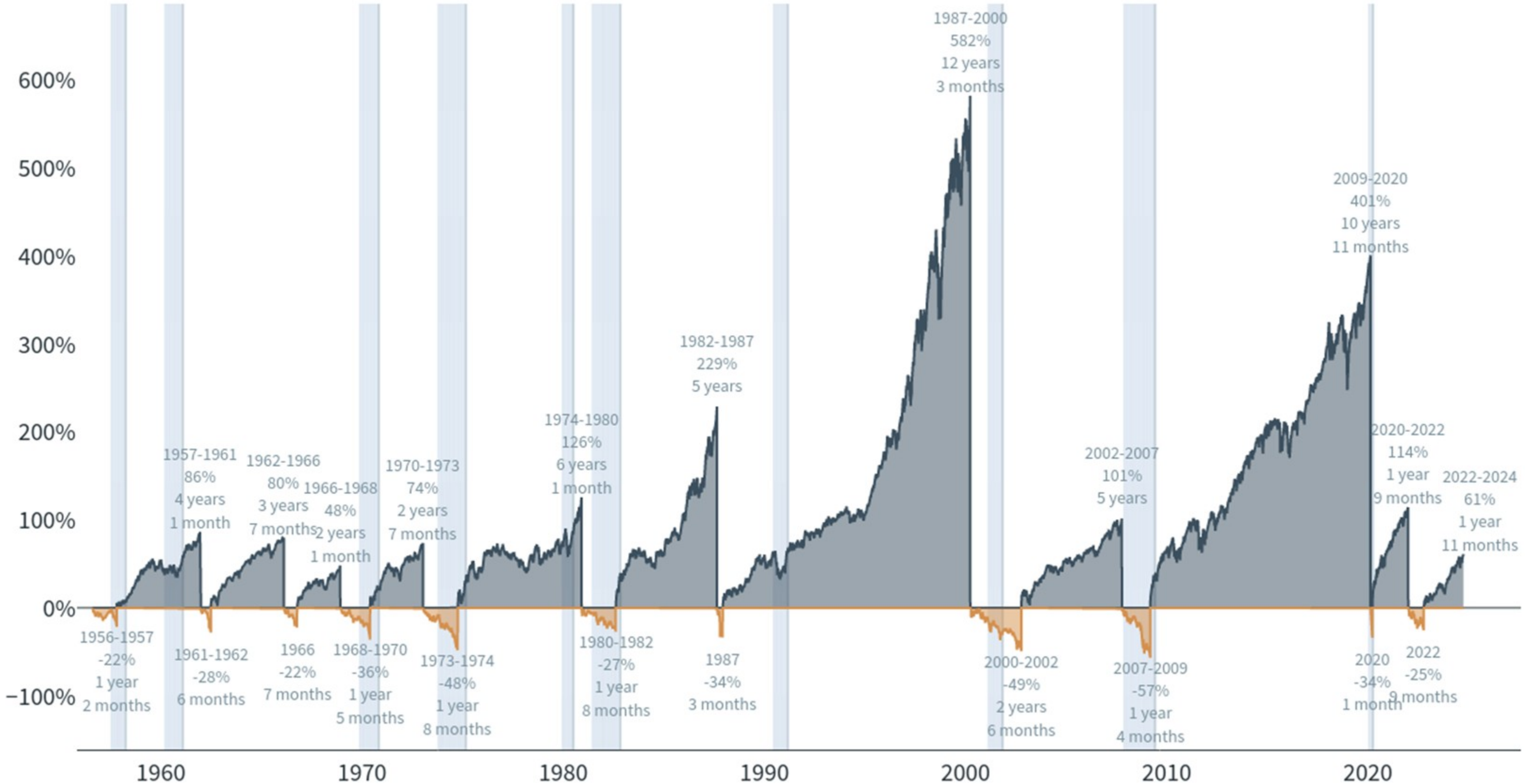
Stock Market Bull and Bear Cycles

S&P 500 price index since 1956 bear market with recessions shaded.
For the purposes of this chart, bear markets are 20% declines in price from prior peaks.
Bull markets begin at each market bottom.



Latest data point is Sep 30, 2024

- While bear markets are unavoidable, bull markets are much longer with larger returns.
- Since 1956, the average bear market has lasted one year, two months with a decline of 36%.
- In contrast, the average bull market lasts 5 years 9 months and returns 192%.

Source: Clearnomics, Standard & Poor's

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Global Equity Valuations

Forward P/E Ratios for the S&P 500, MSCI EAFE and MSCI EM since 1995

Latest data point is Sep 24, 2024

- Valuations for different regions have taken similar trajectories over the past 20 years, but at different levels.
- The U.S. has been the most expensive since 2008 due to its strong stock market performance.
- Throughout this time, there have been periods of opportunity for all markets, especially emerging ones.

Sources: Clearnomics, Standard & Poor's, MSCI, LSEG

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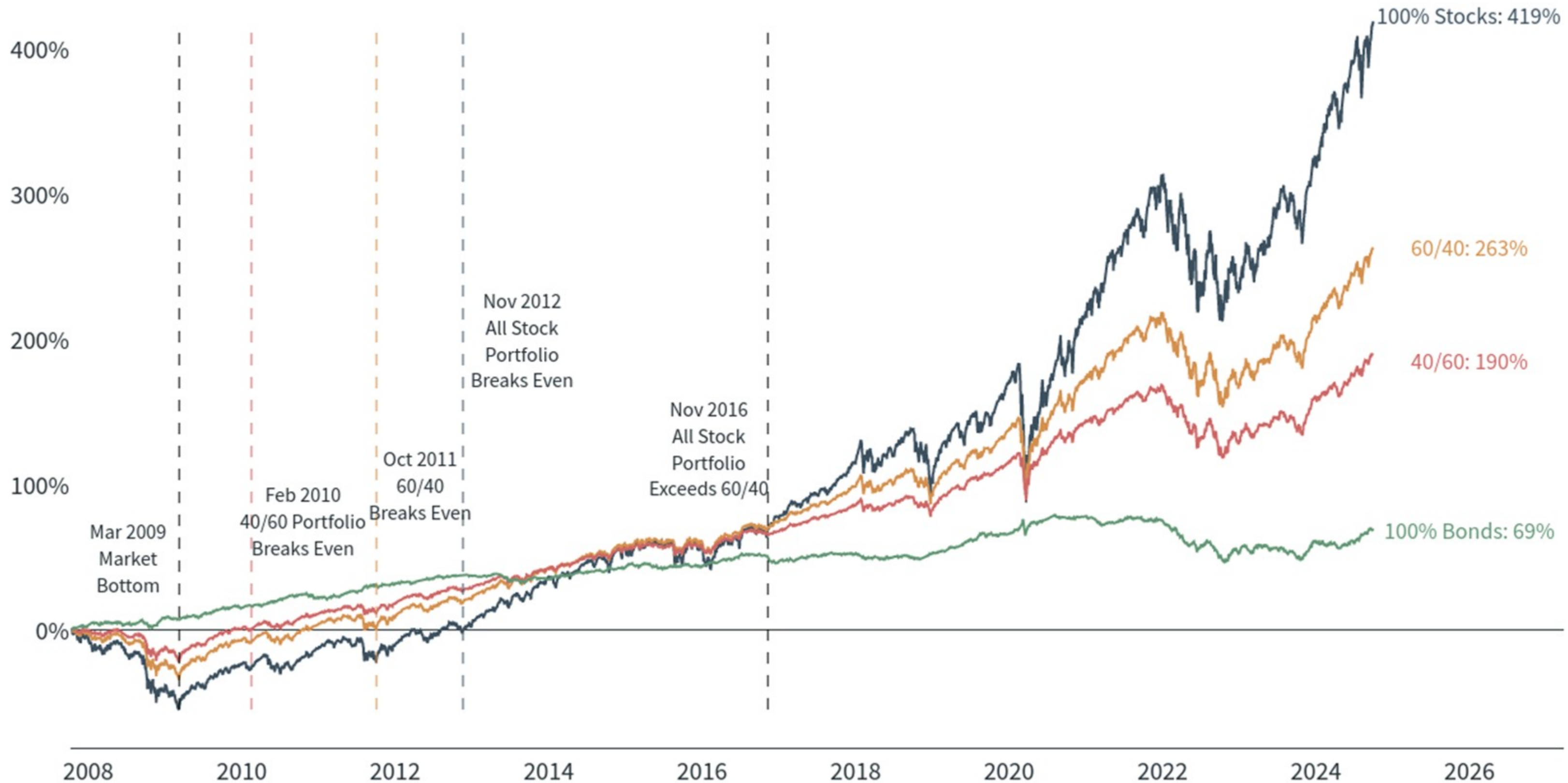
Asset Allocation Performance

Total returns of historical stock/bond index performance since the 2007 pre-financial crisis peak using the S&P 500 and U.S. Aggregate Bond indices, before expenses and fees



Latest data point is Sep 30, 2024

- This chart shows the performance of various asset allocations during bear markets.
- Holding an appropriately diversified portfolio creates a much smoother ride.
- In fact, these portfolios have done well even against a 100% stock portfolio.

Sources: Clearnomics, Standard & Poor's, Bloomberg

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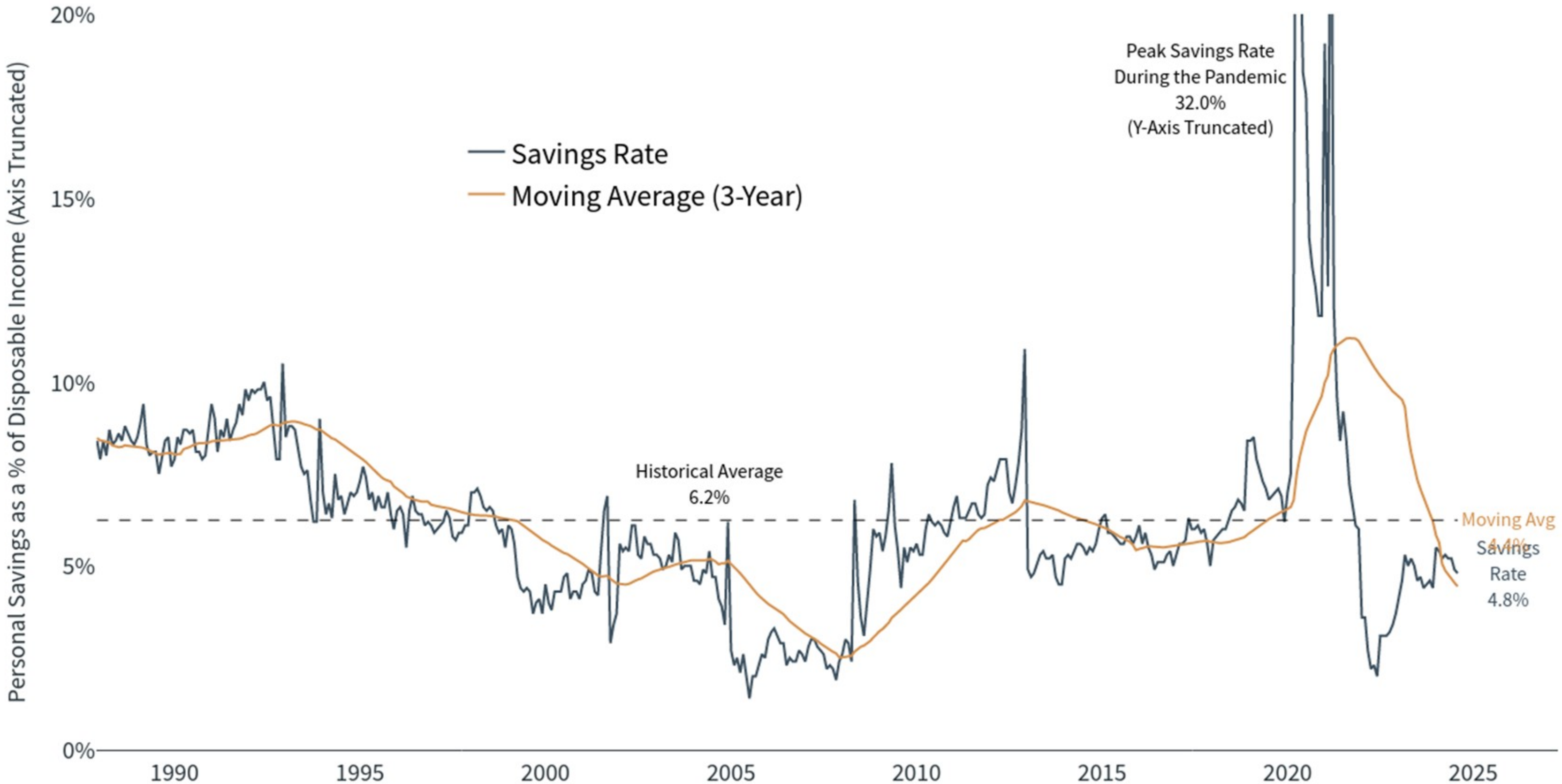
Personal Savings Rate

Savings as a percentage of disposable income



Latest data point is Aug 2024

- Household savings are the flip side of spending. They are important for financial health.
- Savings rates have now fallen back below average levels.

Sources: Clearnomics,
Bureau of Economic Analysis

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Stocks Since the Great Depression

S&P 500 Index since 1928 (Log Scale)

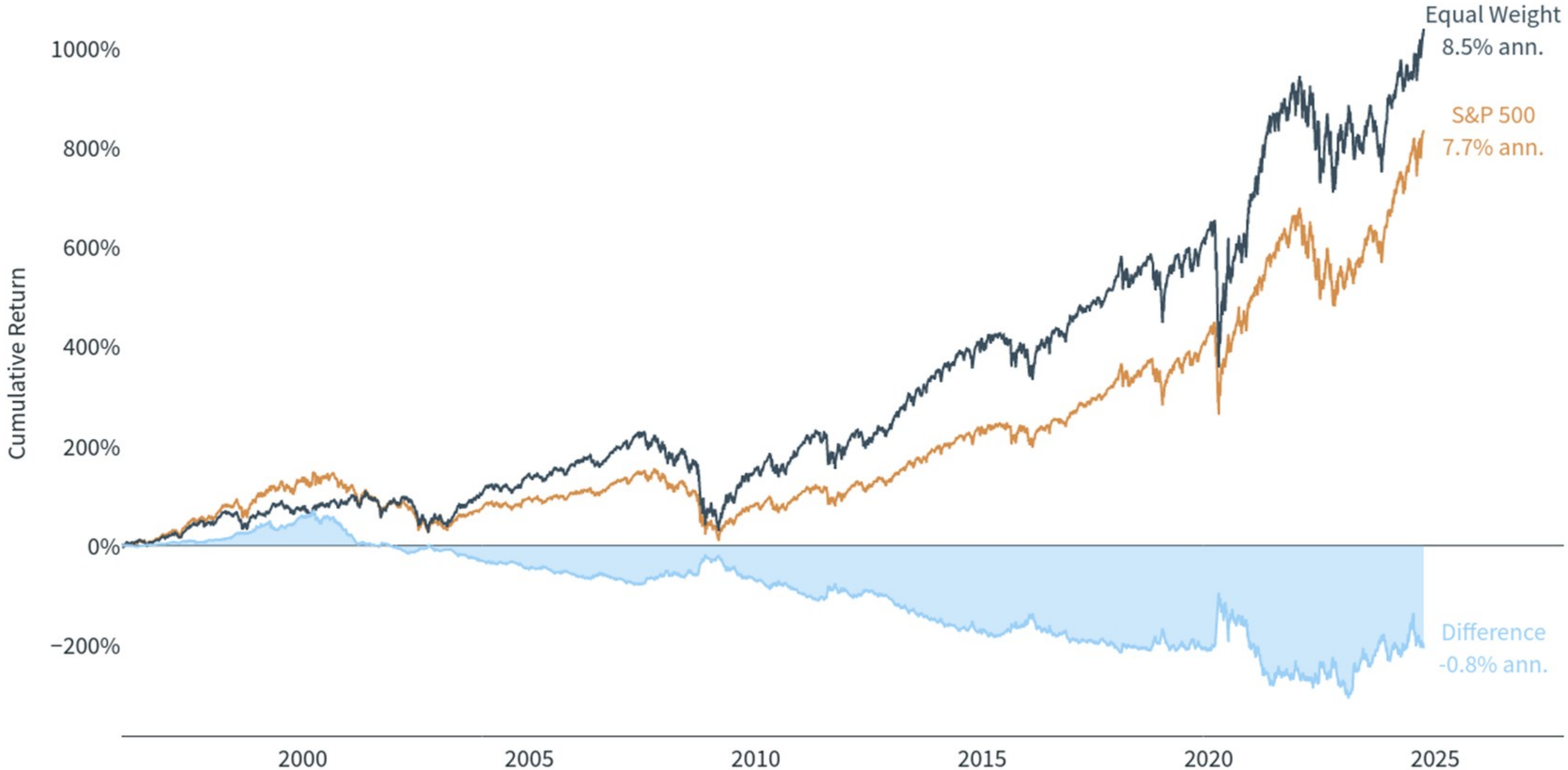
Latest data point is Sep 30, 2024

- The stock market has performed extremely well since the Great Depression - a nearly century-long period.
- This occurred despite problems along the way throughout the 20th and early 21st century.
- Investors should focus on the long run in order to benefit from growth.

Sources: Clearnomics, Standard & Poor's

S&P 500 Equal Weight Historical Performance

Equal weight index compared to market cap weighted index
Cumulative and annualized price returns since 1996



Latest data point is Sep 30, 2024

- This chart shows the difference between market-weighted and equal-weighted S&P 500 returns over time.
- Although some stocks, especially those in tech, have contributed significantly to index returns recently, this is not always the case.

Sources: Clearnomics, Standard & Poor's

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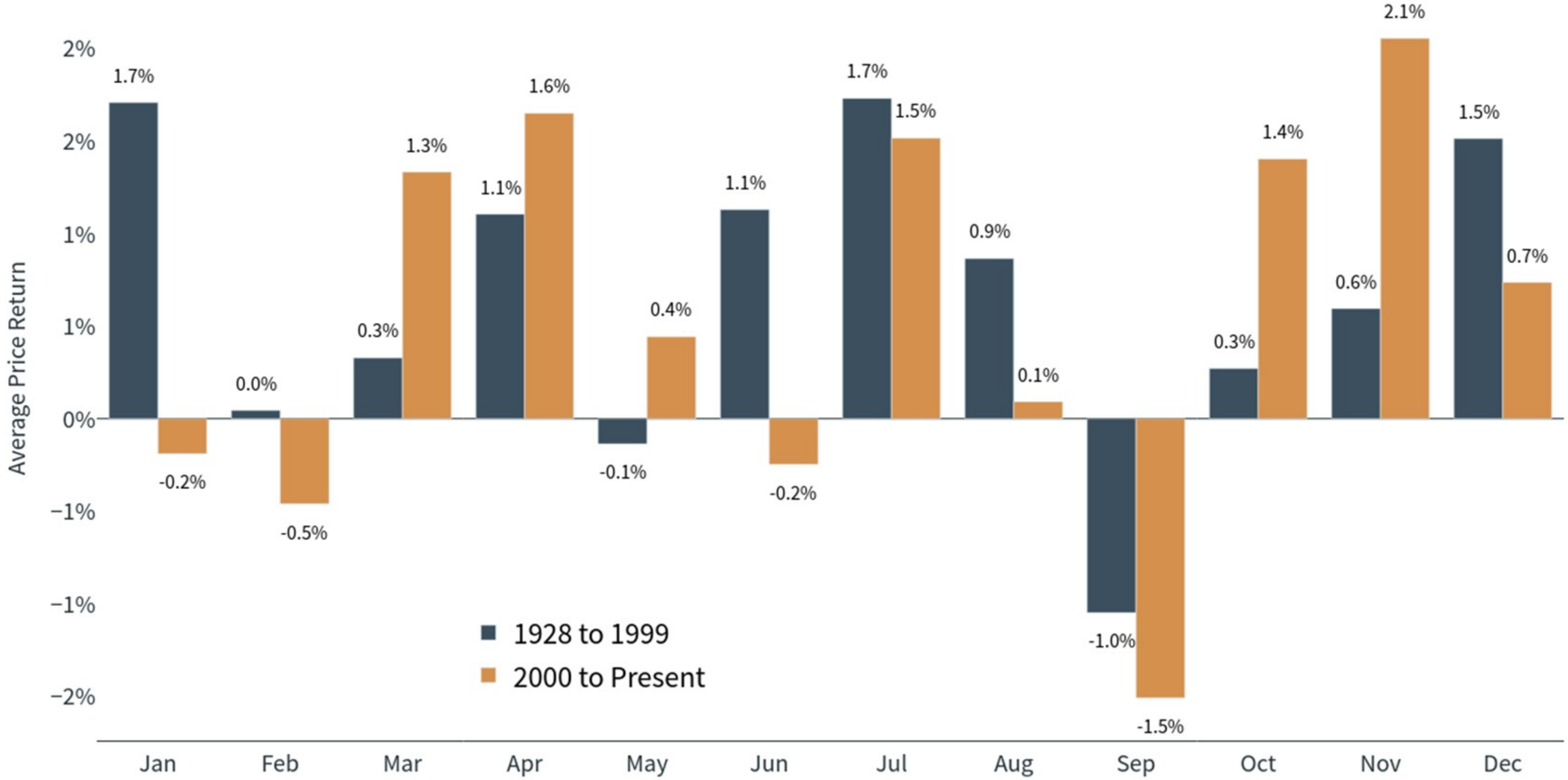
Large Cap Seasonal Patterns

Average returns by month from 1928 to 1999 and 2000 to present
S&P 500 Index price returns

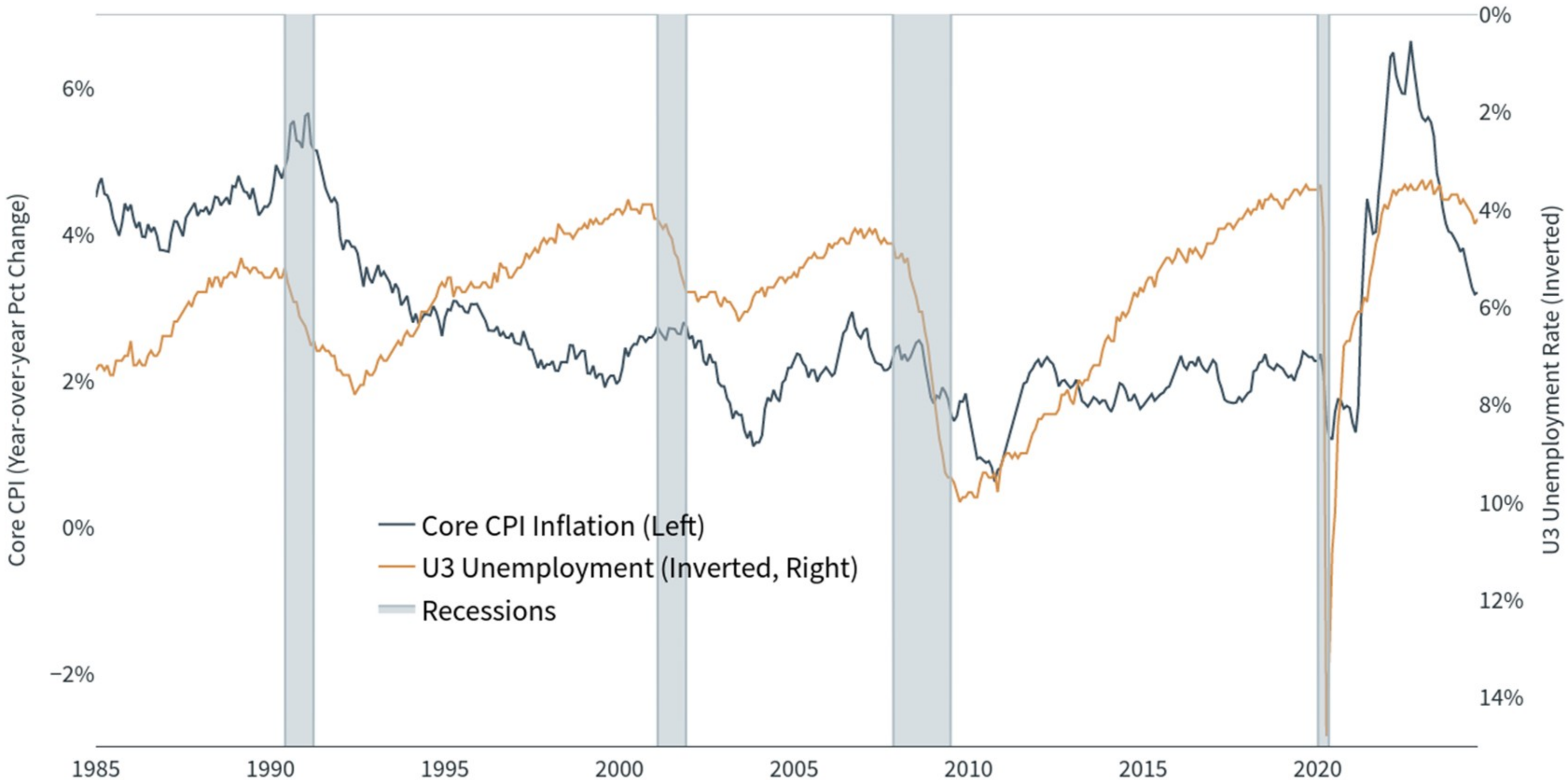


Latest data point is Sep 30, 2024

Sources: Clearnomics, Bloomberg, Standard & Poor's

Unemployment vs. Inflation

U3 Unemployment Rate (Inverted) and Core CPI inflation



Latest data point is Aug 2024

- The relationship between unemployment and inflation is known as the Phillips Curve and is generally downward-sloping.
- As the unemployment rate decreases it is expected that inflation will increase, and vice-versa.
- This relationship has changed over time, especially over the past decade when both unemployment and inflation were extremely low.

Sources: Clearnomics, BLS, NBER

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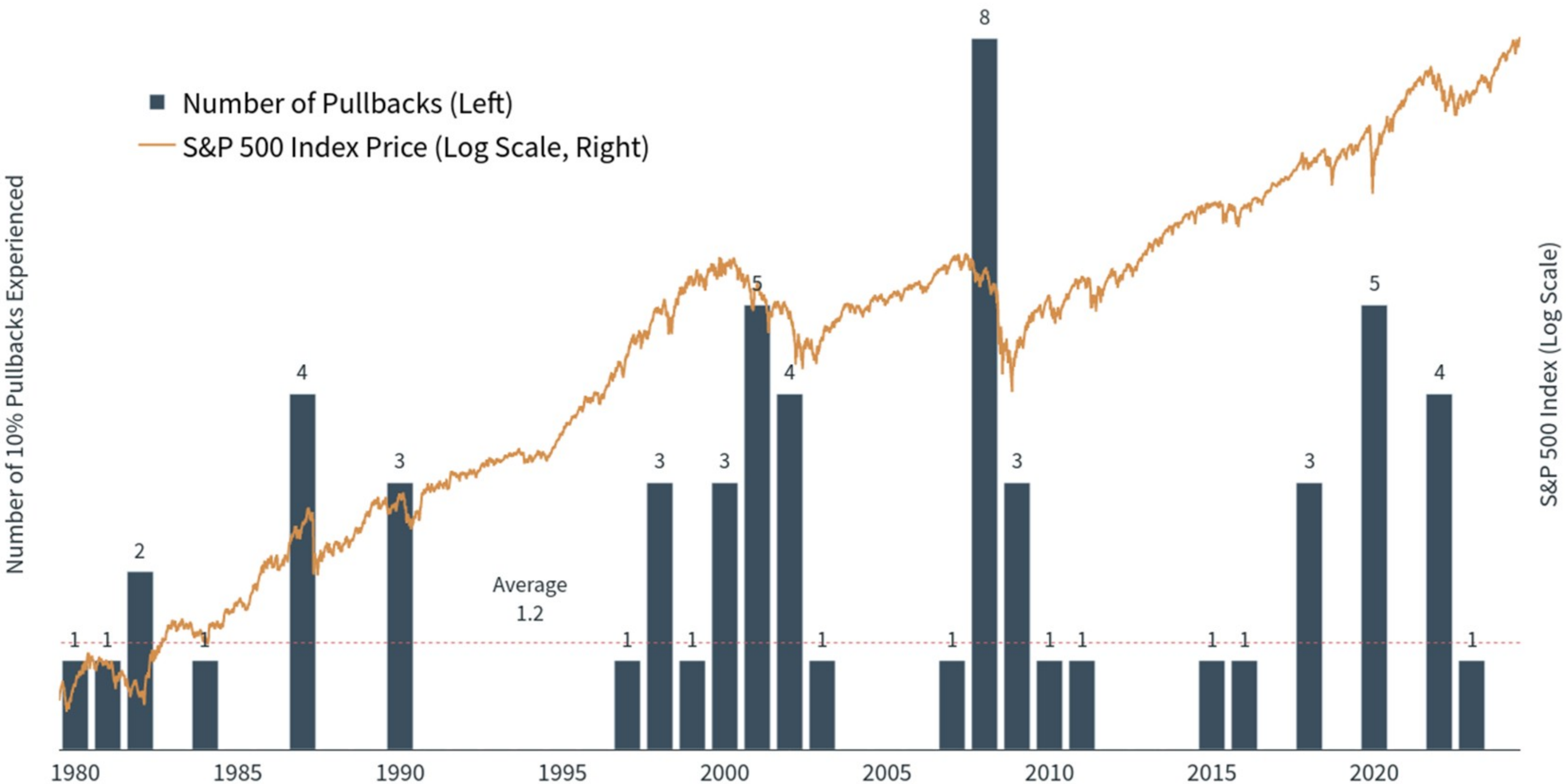
Stock Market Pullbacks

The number of 10% S&P 500 pullbacks experienced by investors each year



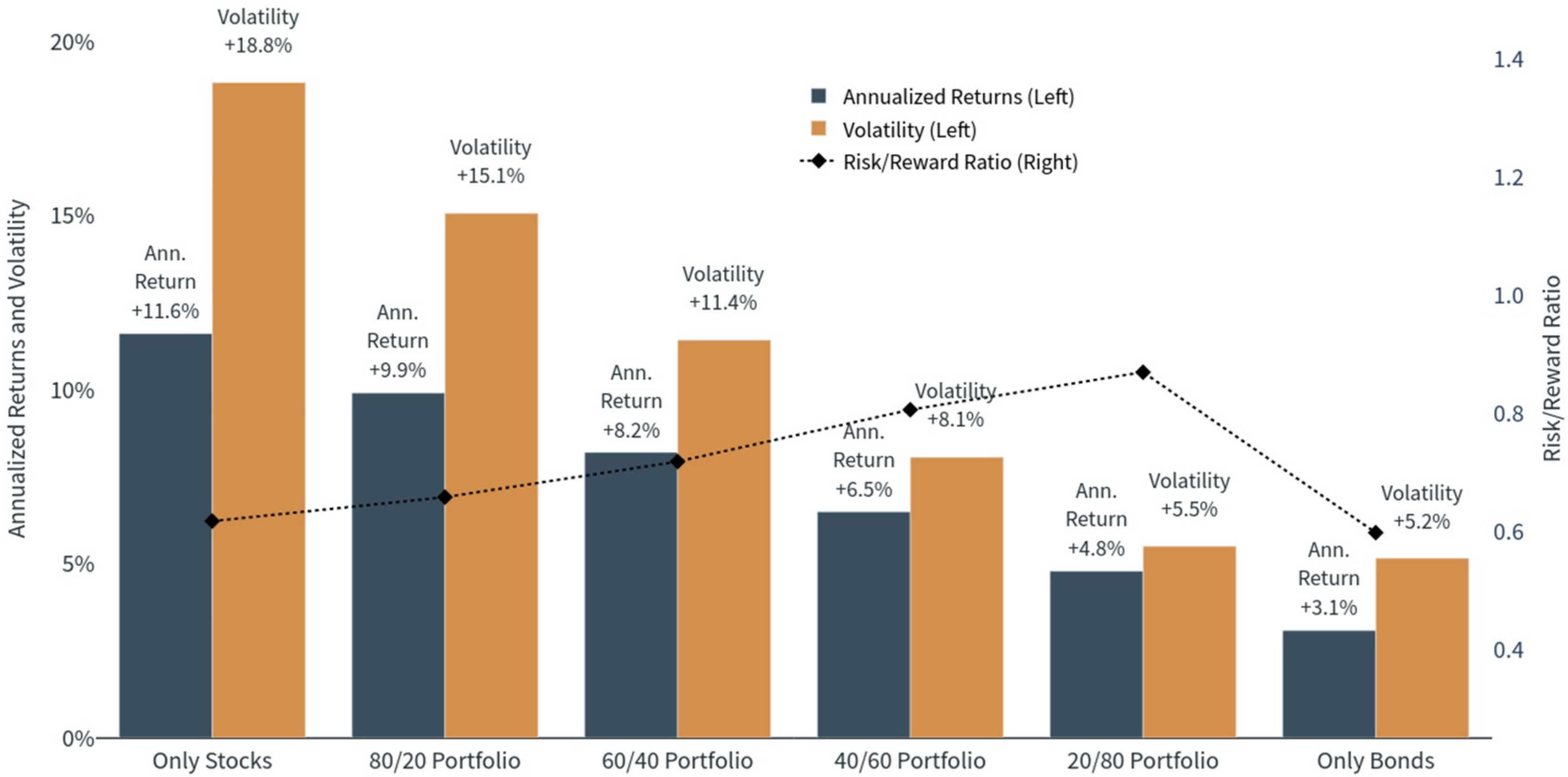
Latest data point is Sep 30, 2024

- Many years with both positive and negative total returns experience multiple market pullbacks of 10% or more.
- It's important for investors to stay focused during these periods in order to achieve their financial goals.

Sources: Clearnomics, Standard & Poor's

Portfolio Risk/Reward

Returns and standard deviations over the past 15 years across historical stock/bond index performance, not including fees and other expenses



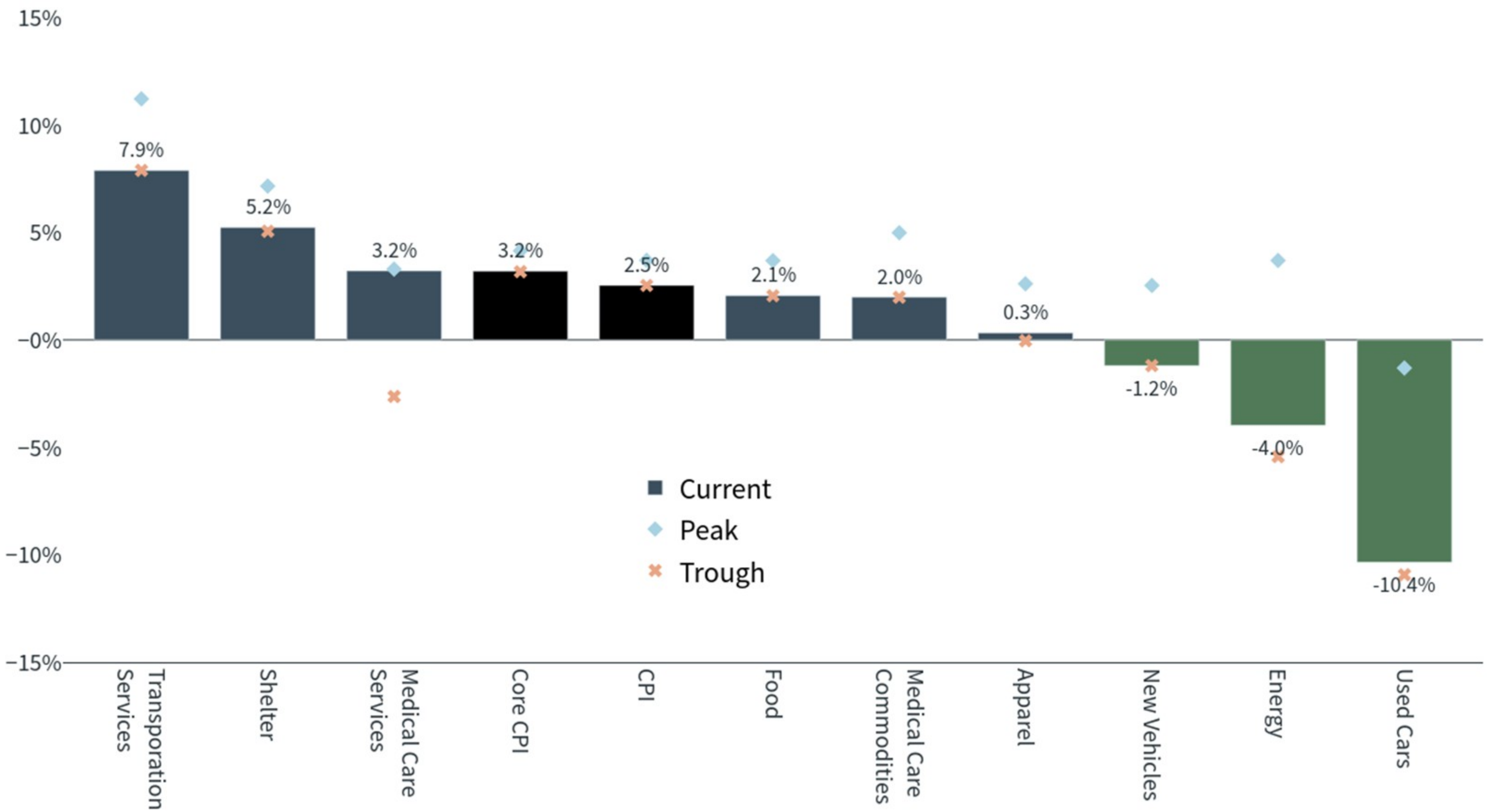
Latest data point is Sep 2024

- This chart shows the historical risk and return profiles of various stock/bond portfolios.
- For instance, while an all-stock portfolio has the highest return, it also has the most volatility.
- Selecting the best stock/bond allocation depends on personal characteristics and financial goals.

Sources: Clearnomics, LSEG

Consumer Price Index Components

Current year-over-year changes and 12-month peaks and troughs



Latest data point is Aug 2024

- Inflation rates for many CPI components have improved dramatically over the past year.

Sources: Clearnomics,
Bureau of Labor Statistics

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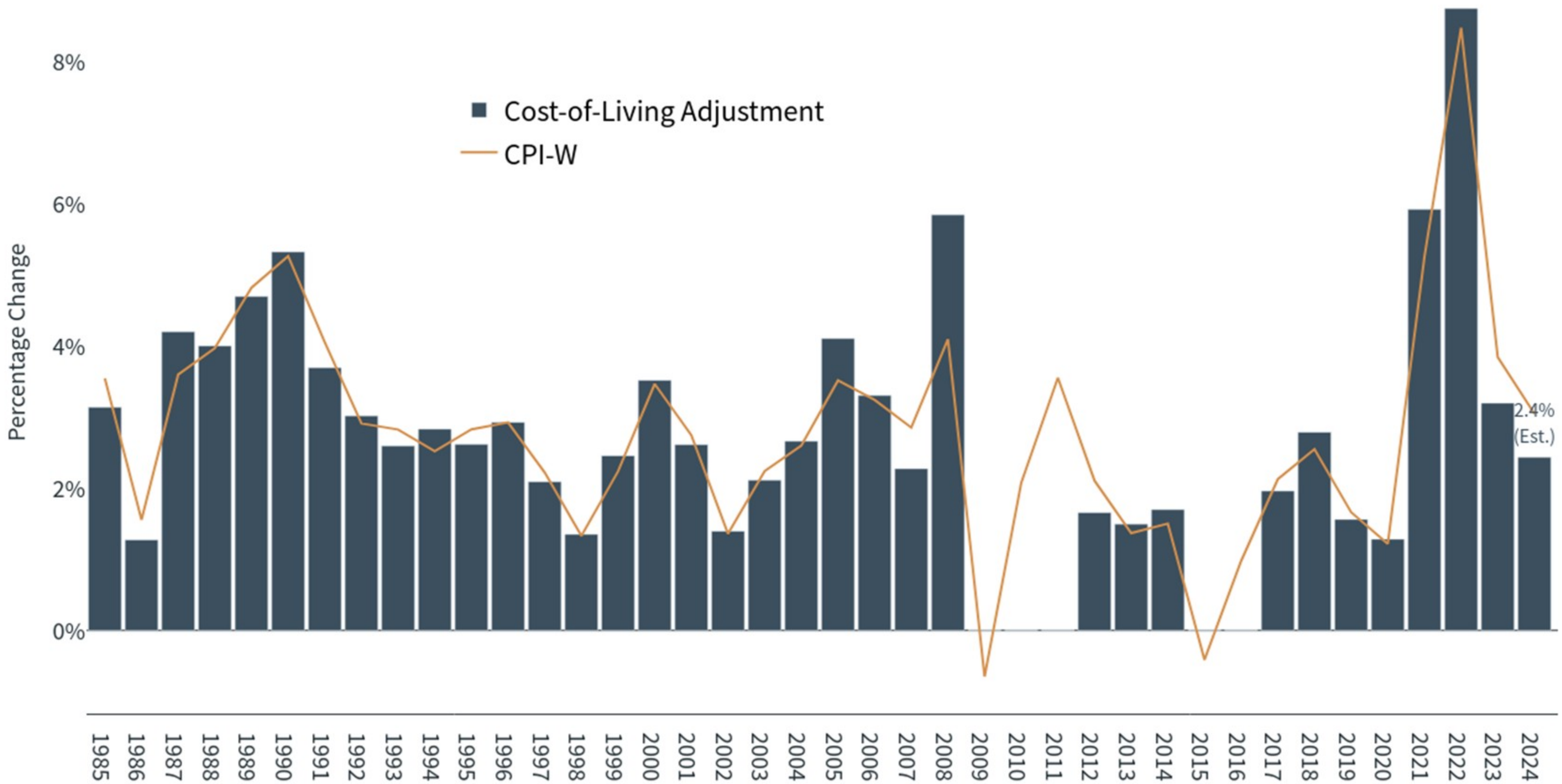
Social Security Cost of Living Adjustment

Annual COLA. Current year estimate is based on third quarter Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)



Latest data point is Aug 2024

- Cost of living adjustments closely follow inflation by statute, resulting in large increases for the past two years.
- Cost of living adjustments will never be negative, even during deflationary years.

Sources: Clearnomics, Bureau of Labor Statistics, Social Security Administration

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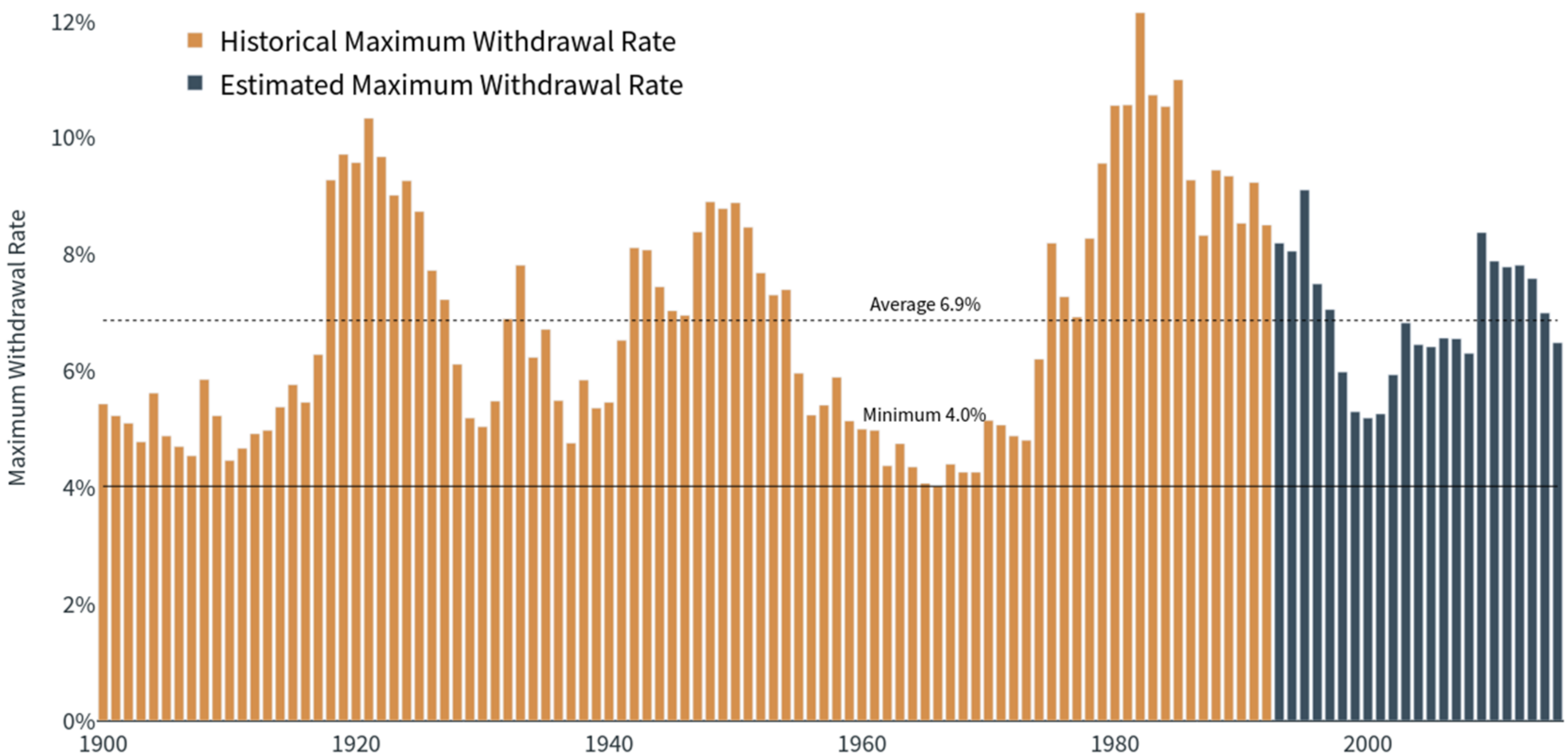
Maximum Withdrawal Rates in Retirement

Historical and estimated maximum withdrawal rates over a 30-year retirement based on historical 60/40 stock/bond index performance. For illustrative purposes only.



- Over time, the inflation adjusted maximum safe withdrawal rate has ranged from near 4% to over 12% based on a 60/40 stock/bond portfolio.
- The variance in safe withdrawal rates shows how the average returns over a retirement period impact how individuals can draw down on their portfolios.
- The 4% rule may act as a good starting point but should only be used as a simple rule of thumb.

Sources: Clearnomics, Robert Shiller

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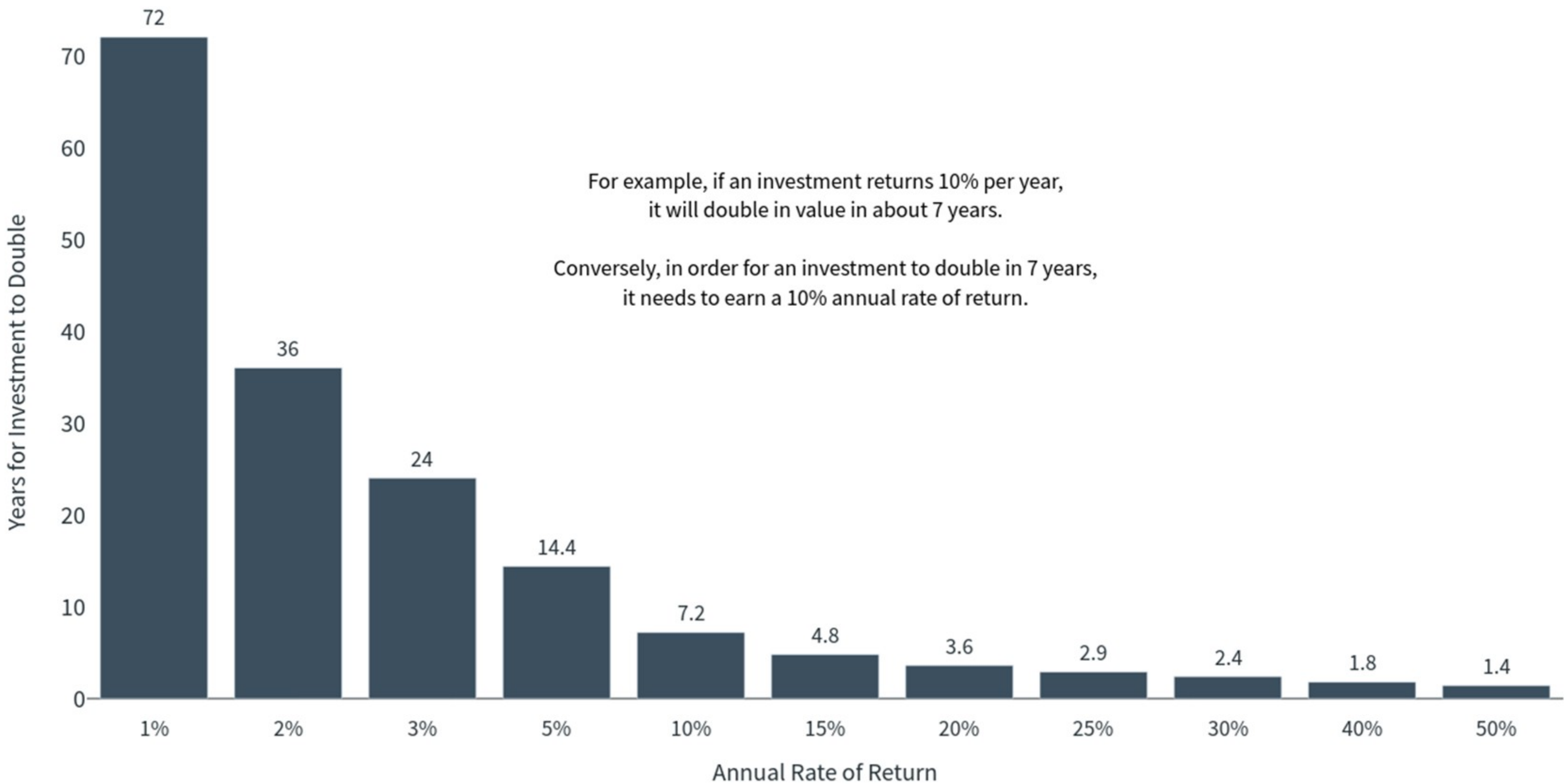
The Rule of 72

A helpful rule of thumb for approximating the number of years needed for an investment to double in value, or for calculating the rate of return needed for an investment to double.



- The rule of 72 is a rule of thumb for investment returns, based on an approximation that works well with small percentages.
- Simply divide 72 by an annual rate of return (say 10%) to arrive at the number of years for that investment to double (about 7 years).
- Or if you know the number of years (say 7), you can divide 72 by this for the rate of return to double the investment (~10%).

Sources: Clearnomics

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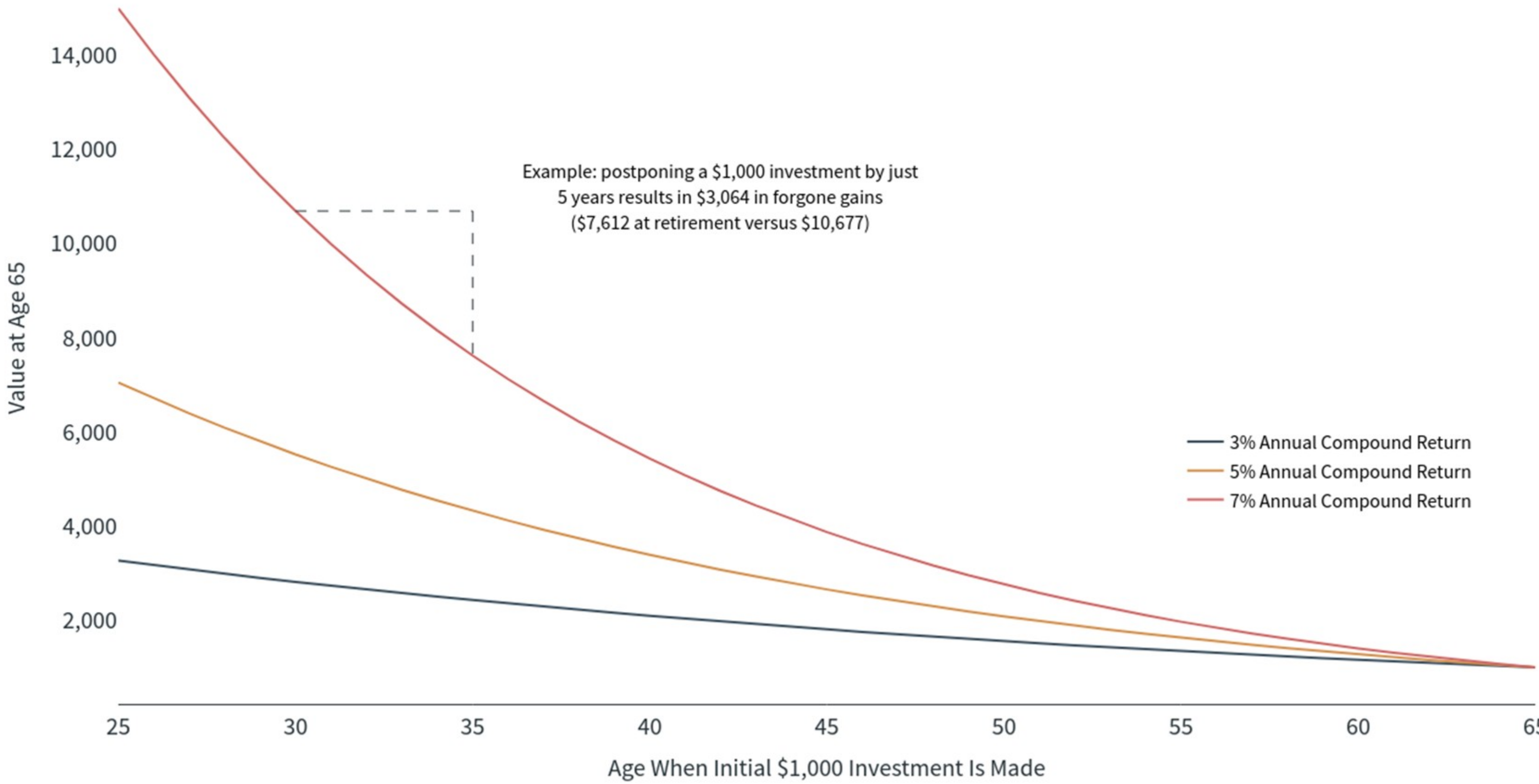
The Importance of Saving Early

The value of an initial $1,000 investment at age 65 based on starting age and the level of annual compound returns. For illustrative purposes only.



- A hypothetical investment at age 30 in an asset that compounds at 7% per year would be worth more than $10,000 at age 65.
- Long-term investors should focus on what they can control such as how much and when they invest.
- Investing at age 30, instead of age 40, makes as big a difference as experiencing a 5% or 7% annual return over the course of one's life.

Sources: Clearnomics

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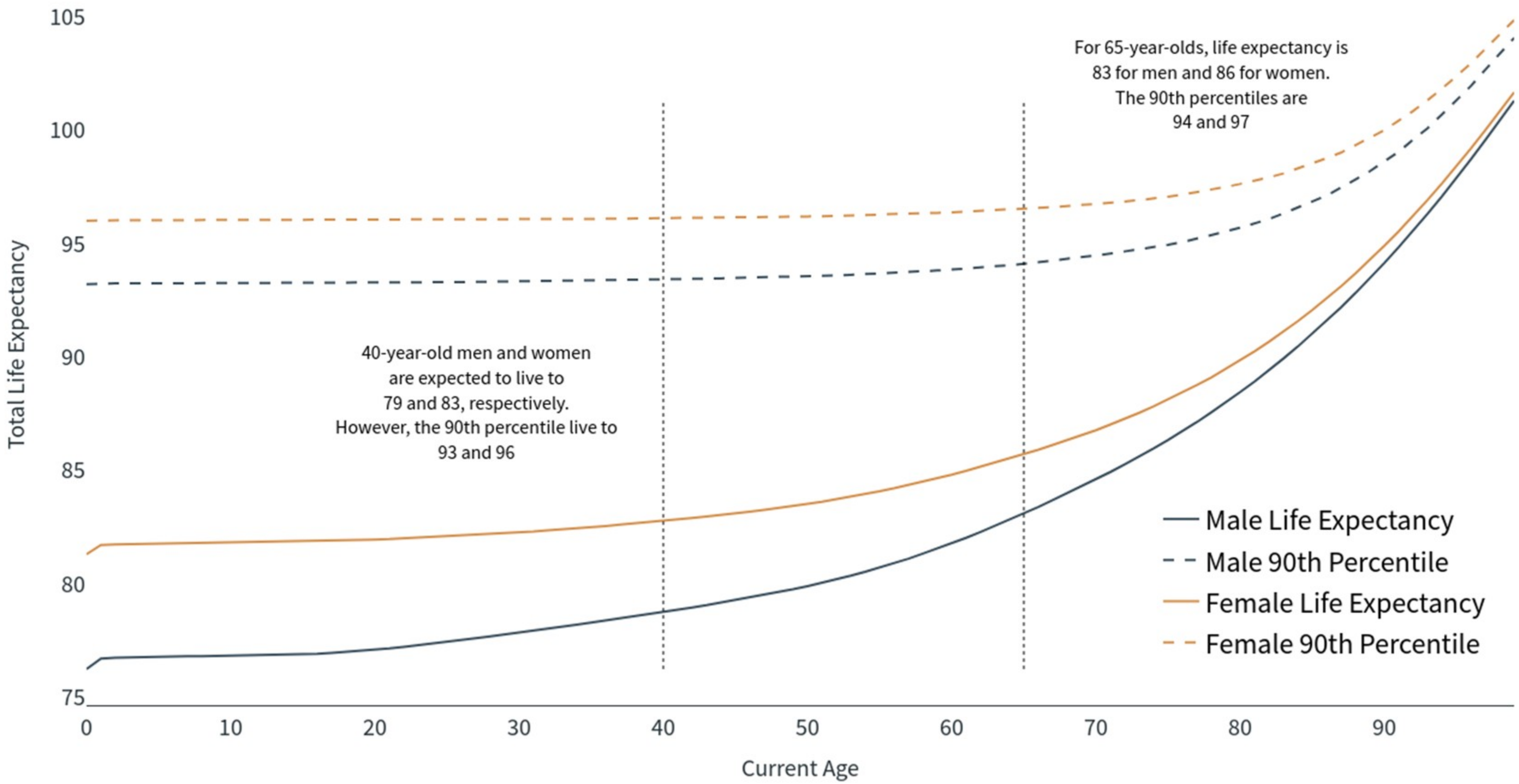
U.S. Life Expectancy

Average and 90th percentiles of life expectancy based on current age



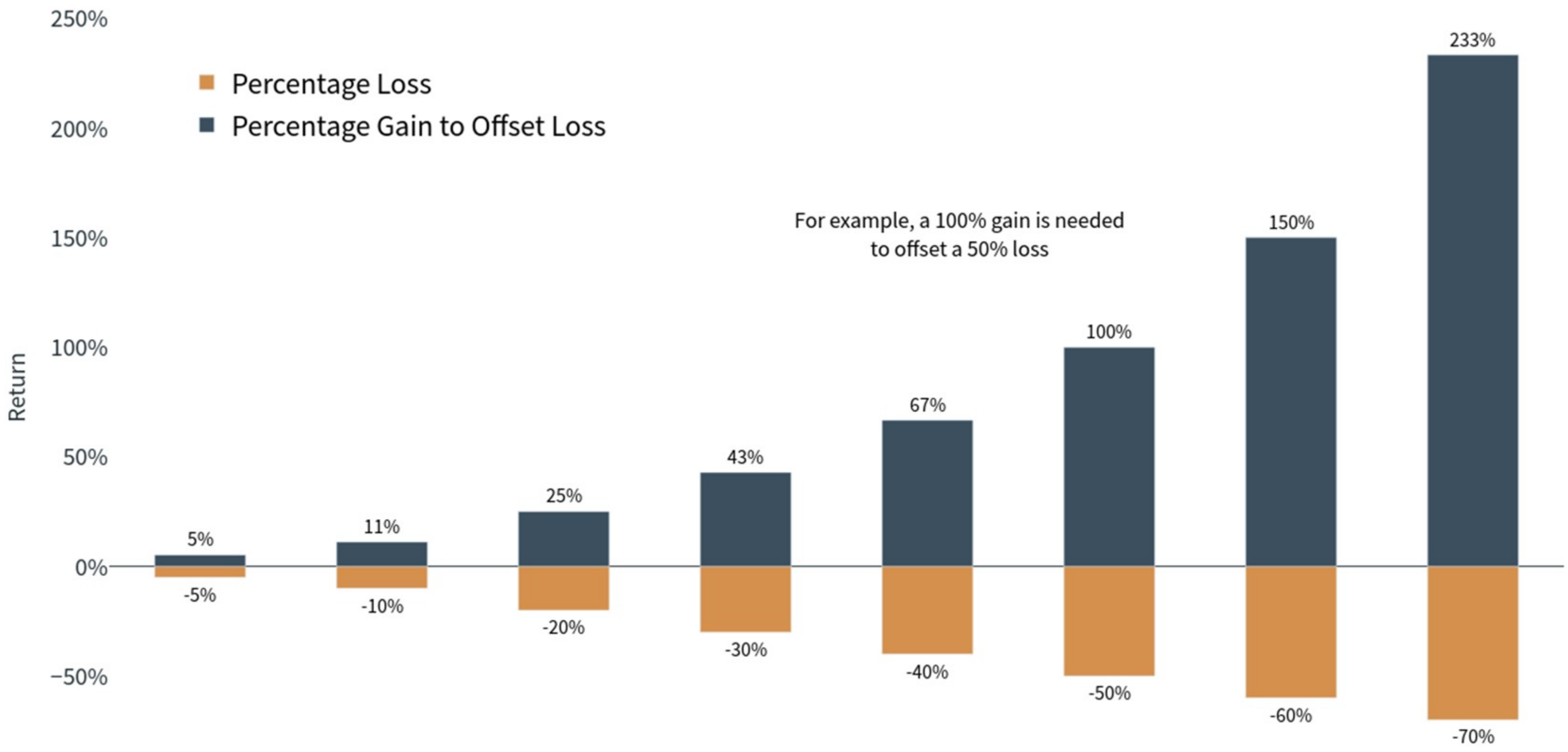
Latest data point is 2022

- Life expectancy has grown dramatically over the past 50 years and is expected to continue to improve, albeit at a slower rate.
- Longevity risk, the risk of outliving retirement savings, is a key consideration when planning for retirement.

Sources: Clearnomics, Social Security Administration

Breakeven Returns

The percentage gain required to offset a percentage loss



Sources: Clearnomics

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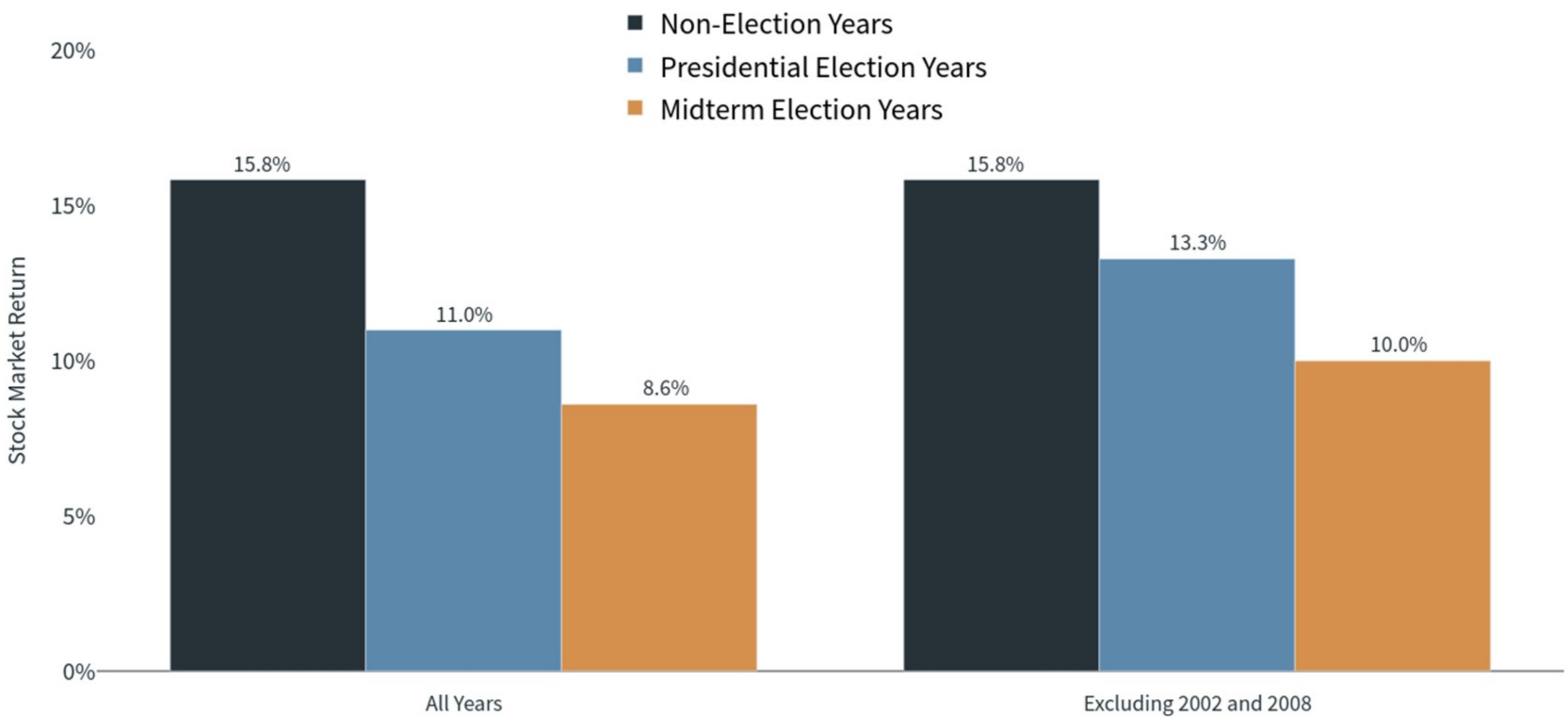
Stock Markets in Election Years

S&P 500 total return in election and non-election years since 1933



Latest data point is Dec 2023

- Investors often are concerned by how the stock market may perform in election years.
- While there is some difference between election and non-election years, this is small and all years show positive average returns.
- Once we exclude 2002 and 2008, which had little to do with elections, there is little difference between years.

Sources: Clearnomics, Standard & Poor's

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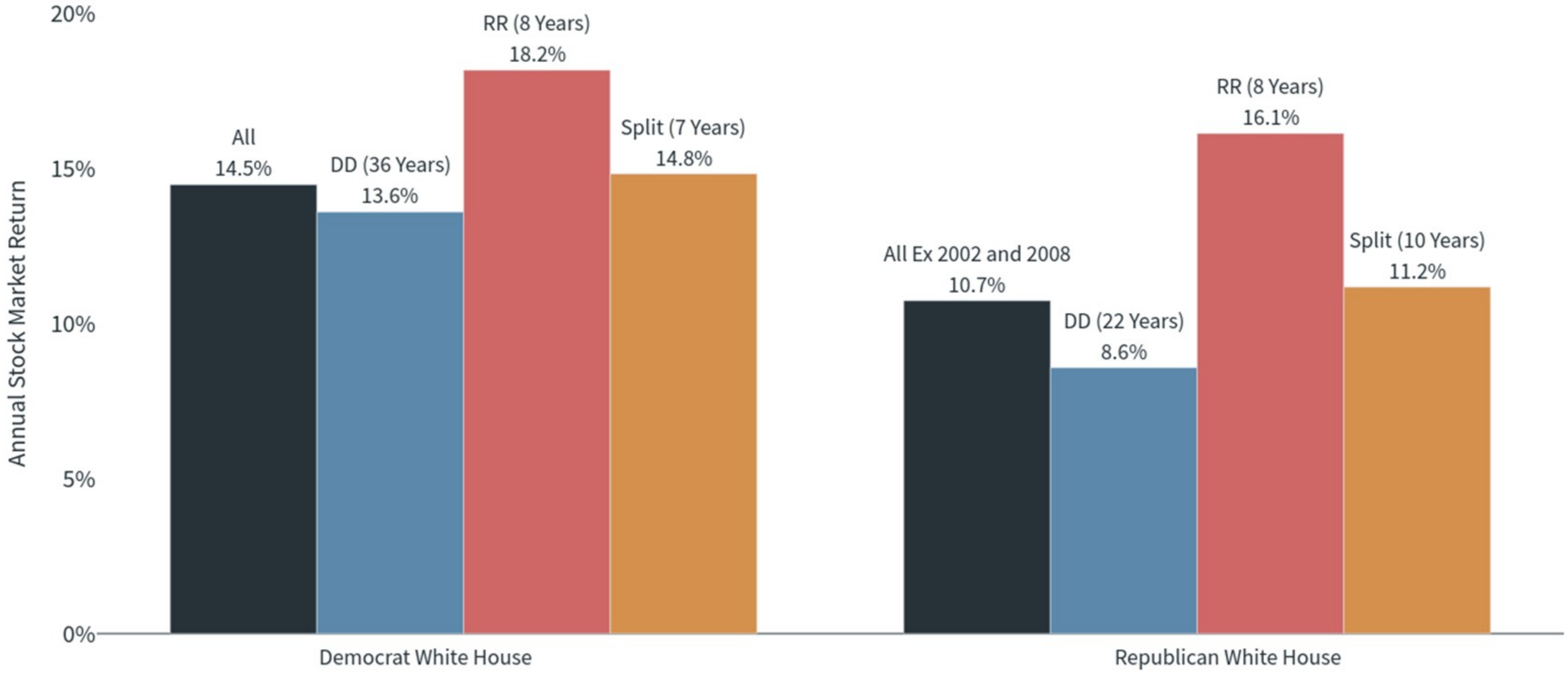
Political Parties and Stocks

S&P 500 average annual total returns by government control
Since 1933 excluding 2002 and 2008



Latest data point is Dec 2023

Sources: Clearnomics, Standard & Poor's

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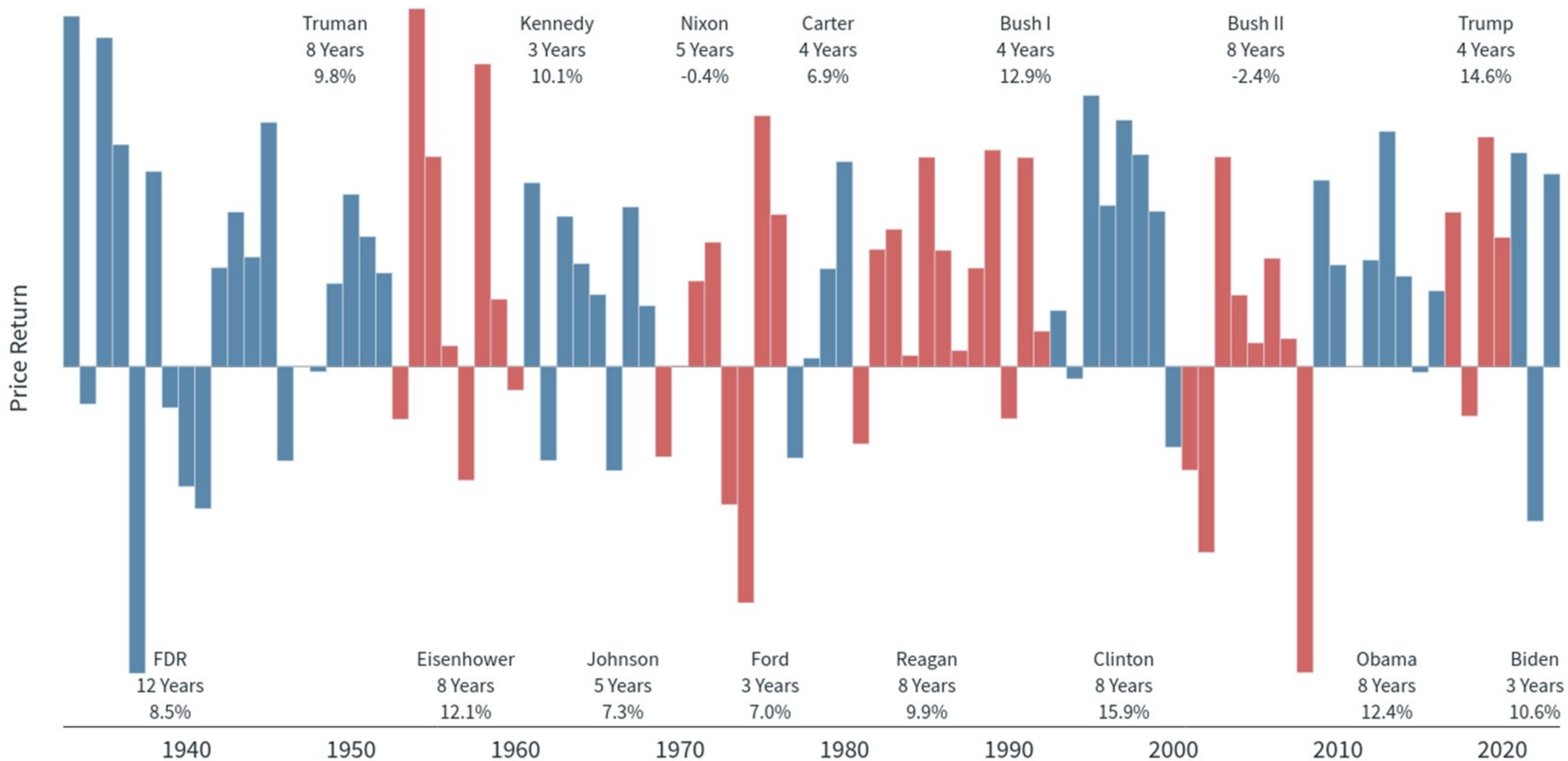
Presidents and Stock Market Returns

S&P 500 price returns and averages over presidential terms since 1933



Latest data point is Dec 31, 2023

- Presidential elections are important but can distract investors financially.
- Market returns vary by presidential party in power, but no clear and consistent trend emerges.
- Returns are far more correlated with economic cycles than presidential party and are often positive despite the party in power.

Sources: Clearnomics, Standard & Poor's

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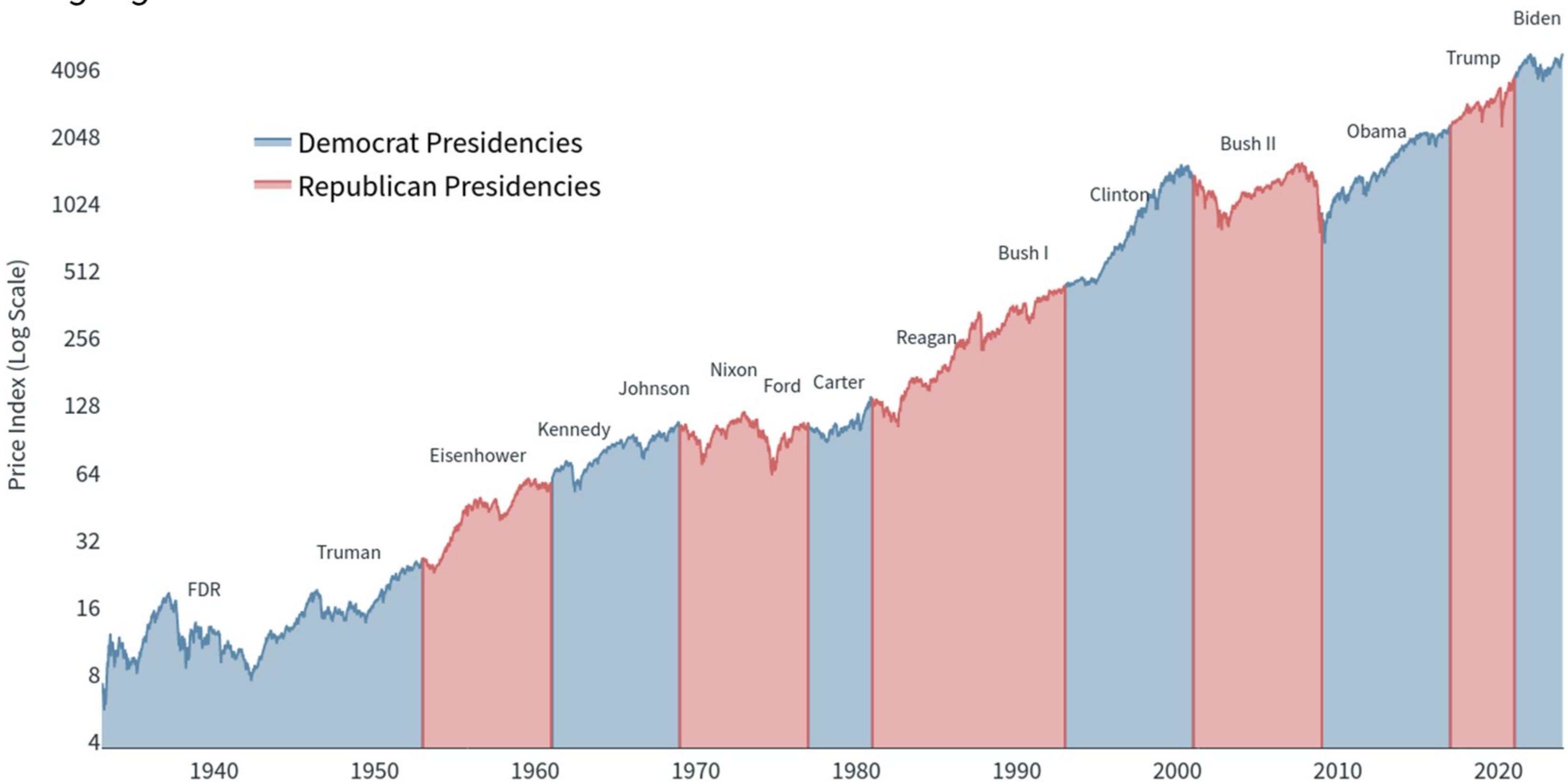
The Stock Market and Presidencies

S&P 500 price returns on a log scale with presidents and their parties highlighted since 1933



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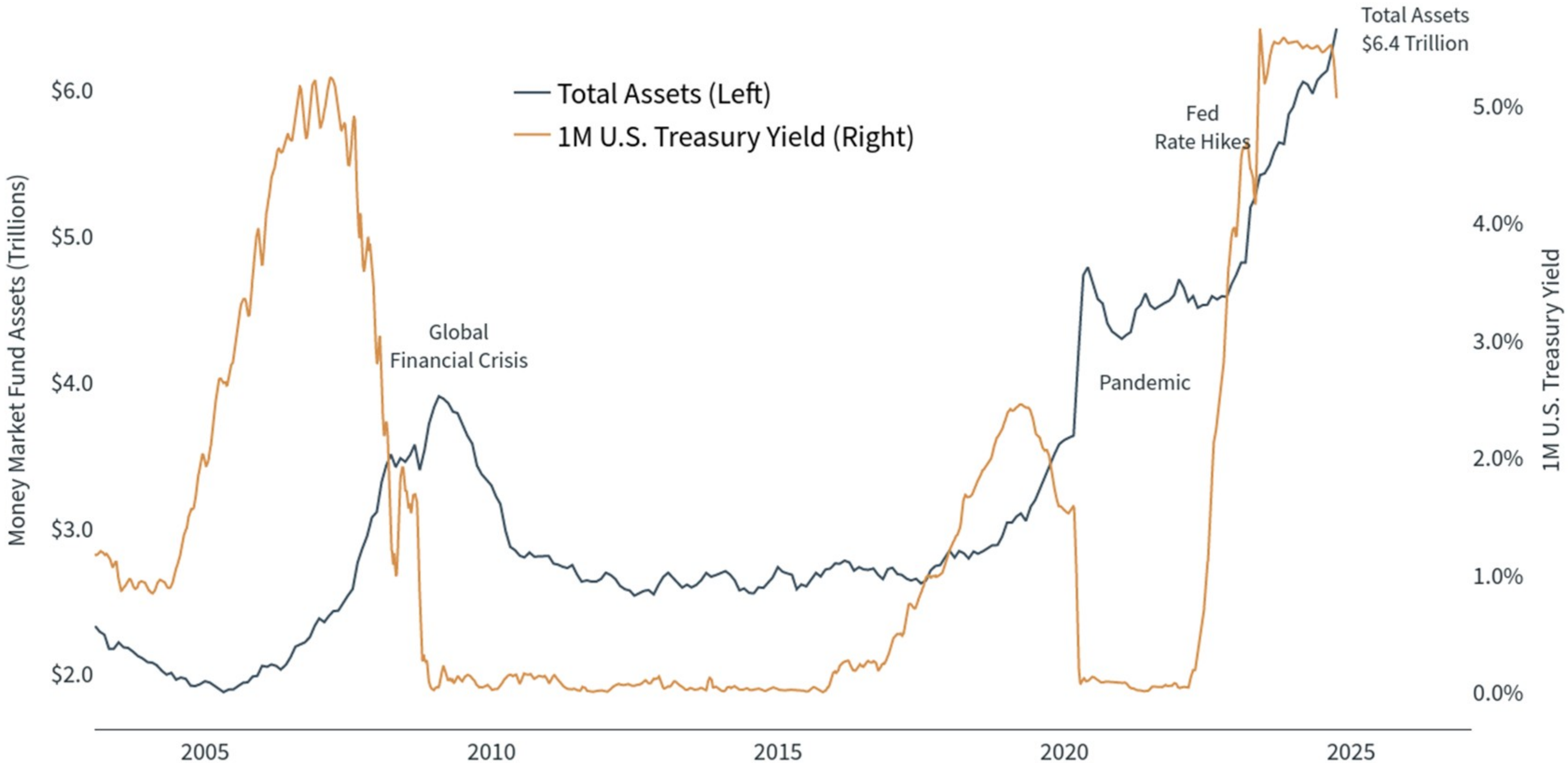
Sources: Clearnomics, Standard & Poor's

Money Market Funds and Interest Rates

Money market fund total assets and short-term rates



Latest data point is Sep 30, 2024

- Money market mutual fund assets are near all-time highs.
- Higher cash yields due to interest rate increases have attracted significant inflows to money market mutual funds.
- Money market mutual funds can provide attractive returns on cash, but are often not suitable for long-term investing.

Sources: Clearnomics, Federal Reserve, ICI

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Definitions and Methodology

The **S&P 500** is a market capitalization-weighted index of large cap U.S. stocks. U.S. **mid cap** and **small cap** are the S&P 400 and S&P 600, respectively. **Value** and **growth** are the corresponding Standard & Poor's value and growth indices.

MSCI EM is an index of emerging market stocks. **MSCI EAFE** is an index of developed market stocks. **MSCI ACWI** is an index of global stocks.

The **forward P/E** is a ratio of the current market price of an index divided by an estimate of earnings over the next twelve months. The **Shiller P/E** is based on Robert Shiller's cyclically adjusted price-to-earnings ratio.

The **AAII Investor Sentiment** index is based on a weekly survey conducted by AAII.

Unless stated otherwise, **earnings** and **valuations** data are from LSEG indices.

The **LEI**, or Leading Economic Index, is produced monthly by the Conference Board.

Consumer sentiment indices are based on surveys conducted by the University of Michigan Surveys of Consumers.

Asset Class Performance and Asset Classes Relative to U.S. Stocks charts: The EM, EAFE, Small Cap, Fixed Income and Commodities are these indices, respectively: MSCI EM, MSCI EAFE, Russell 2000, Bloomberg U.S. Aggregate Bond Index, Bloomberg Commodity Index.

Fixed Income Performance: All sectors are represented by the Bloomberg bond indices except for EMD USD and Local which are the JPMorgan EMBIG Diversified Index and JPMorgan GBI-EM Core Index, respectively.

The Balanced Portfolio is a historical 60/40 index calculation consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 35% U.S. Bonds, and 5% Commodities.

The **Bloomberg Commodity Index** is a broadly diversified basket of physical commodities futures contracts.

The **DXY** is a U.S. dollar index based on a basket of currencies, including the Euro, Yen, Pound, Canadian Dollar, Swedish Krona and Swiss Franc.

Portfolio Risk/Reward and Portfolio Drift Since 2009 charts: stocks and bonds are the S&P 500 and Bloomberg U.S. Aggregate bond index, respectively. Each portfolio represents a historical stock/bond asset allocation.

The **MSCI Factor** indices are created and maintained by MSCI to capture factor returns. They cover various factors including Quality, Size, Momentum, Volatility, Value and Yield. The Multi-Factor index tracks the performance of Value, Momentum, Quality and Size.

The **MSCI USA** index tracks large and mid cap U.S. stocks.

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