



MOULTON WEALTH MANAGEMENT INC.
MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING
420 N. EVERGREEN RD; SUITE 100
SPOKANE, WA 99216
509-922-3110



DONALD J. MOULTON
CFP®, RFC

www.moultonwealth.com

RIAL R. MOULTON
CFP®, CPA/PFS, RFC

November 2024

November kicks off the most favorable 6 months of the year for stock market returns. Going back to 1990, the months from November through April have averaged returns of +6.3% per year, while the months from May through October have averaged only +3% per year. However, looking back further, all the way to 1930, it tightens, with November through April averaging +4.5% per year, and May through October averaging +3% per year. (*Investopedia.com*)

Is this a reason to change your investment allocation? Not on its own, in our opinion. **But it might be one more reason to expect a favorable 3-6 months into next year, which is our base case.**

Why?

1. The Fed is dovish, meaning they are cutting rates, which should help boost the economy and stock prices.
2. Global liquidity is rising per 42 Macro, a research partner. Other Central Banks are ahead of the Fed in cutting rates.
3. Credit spreads are tight, meaning the yield from low quality bonds is not much higher than equivalent yields on high quality bonds. Usually the bond market sniffs out economic problems first, and as such we should see this yield spread widen before economic problems.
4. Government spending is still supportive of the economy, and as such stock prices. From the CHIPS Act to Infrastructure spending to

Defense spending, the government is injecting liquidity into the system.

5. Many, if not most home owners locked in low, fixed mortgage rates before the hiking cycle. This insulated their largest interest expense from rising rates.
6. Many businesses, especially large businesses, also took advantage of the low rates before the hiking cycle, obtaining relatively inexpensive financing. Having said that, this debt generally rolls over every 3-7 years and as such, they will require significant refinancing in 2025 and beyond.
7. By the time you read this, the election will be settled, and the uncertainty associated with it behind us.
8. The International Monetary Fund called the U.S. economy the “envy of the world”, and they upgraded our outlook for 2025. They point to high, non-residential investment and productivity, as well as strong consumer spending buoyed by rising real (inflation adjusted) wages.

Of course, nothing is perfect, and there are real concerns requiring risk management.

1. We think inflation is far from dead, and will likely move sideways to higher from here. We don’t expect a repeat of 2022, but if inflation slowly creeps higher, the Fed may be forced to take notice sometime in the first half of 2025. And the market would likely not welcome it.

2. The Conference Board Leading Economic Indicator continues to plumb new lows for the cycle. September marked the seventh consecutive monthly decline, and the lowest since Oct. 2016. This has historically been extremely accurate in predicting recessions. On average, from the onset of a decline to the recession has taken 10.6 months; we are now 33 months off the peak of 2021.
3. Even as manufacturing has been in a recession, services have held up nicely. This is why the overall economy is still chugging along. However, the Wall Street Journal noted that restaurant bankruptcies are on the rise. In fact, they are the highest in 10 years outside of Covid lockdowns.
4. Existing home sales hit a 14 year low in September, and are on track for the worst year since 1995. Real-estate is ultimately a huge part of the economy.
5. Since the Fed's somewhat surprising 0.5% rate cut, 10 year Treasury yields have *risen* over 0.6% as of this writing. Is the bond market sniffing out higher inflation?
6. Corporate insiders (executives) are often viewed as the "canary in the mine." No one should have a better view of their business prospects than those running them. As such, purchases of their own stock are tracked to see what they think about the future.

SentimenTrader tells us that insider buying of stocks hit the lowest level since September 2021, which was just months before the 2022 bear market.

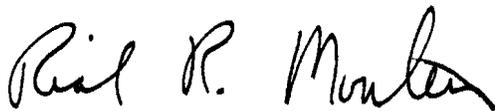
7. Longer term, Goldman Sachs analysts warn us not to expect stock market like returns for the next decade. Instead they think we could see something closer to +3% per year. This shouldn't be a total surprise, as valuations are priced for perfection. Valuations are not a good timing bear markets, but they are good at predicting future returns. And high valuations = low future returns. This is what happened from the start of both the Dot.com and Housing bubble implosions.

On that last point, stocks don't move in a straight line. If Goldman is correct, it will almost certainly be caused by a big drop, with years of good returns used trying to recoup losses. It is why it's important to participate. But it's even more important to sidestep the worst of bear markets.

As the data changes, so does our outlook and this is not a recommendation to buy or sell. But if we're correct, we may still enjoy some gains, until we need to focus on **return of our money over the return on our money.**

What is your defensive plan, just in case?
Attend a free seminar or call the office to hear about ours.

Yours truly,



Rial R. Moulton, CFP®, CPA / PFS, RFC
Certified Financial Planner™ professional



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P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please ask them to send an email with their information and permission to be added.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. Yahoo! Finance is the source for any reference to the performance of an index between two specific periods. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Investments in securities do not offer a fixed rate of return. Principal, yield and/or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results. Consult your financial professional before making any investment decision. You cannot invest directly in an index. <https://www.wsj.com/economy/central-banking/sorry-the-fed-cant-save-us-from-a-bear-market-fad99617>

Our outlook for the next three to six months.

(NO DECEMBER SEMINARS)

Weekly Radio Show Saturday Morning:

8:00 AM KXLY 920 AM
Spokane and Area

9:30 AM KFLD 870 AM
Tri-Cities and Area

Moultonwealth.com

SPOKANE

Quality Inn—North
Breakfast
7919 N. Division —Spokane
Nov. 20th @ 9:30 AM

TRI-CITIES

Hampton Inn
Breakfast
486 Bradley Blvd—Richland
Nov. 26th @ 11:00 AM

- ◇ How employing and consistently following a defensive system could help you to a better retirement.
- ◇ The “Widow’s Tax” could be a major drain on the survivor’s spendable income!
- ◇ What happens when an economic downturn makes it difficult for companies to pay back their massive debt?
- ◇ Why Buy and Hold Investing was right for the 80’s and 90’s yet very wrong for today.
- ◇ Will inflation eat up your assets?
- ◇ How to potentially decrease taxes on your hard earned Social Security Income
- ◇ To Roth or not to Roth?

And so much more!

COMPLIMENTARY SEMINAR

For those 50 years old and older

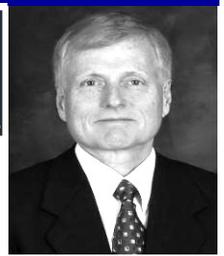


Donald J. Moulton
Certified Financial Planner™
CFP®, RFC



420 N. Evergreen Rd. #100; Spokane Valley, WA 99216

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Call to reserve a spot: 509-922-3110



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Our Outlook

What will the next 3 to 6 months bring?

Spokane

Nov. 20th

@

9:30 AM

Details Inside

*No Cost
Seminars for
Retirees and
those close to
Retirement*

Richland

Nov 26th

@

11:00 AM

Details Inside