

# WIMAN & WONG

Wealth Management Group

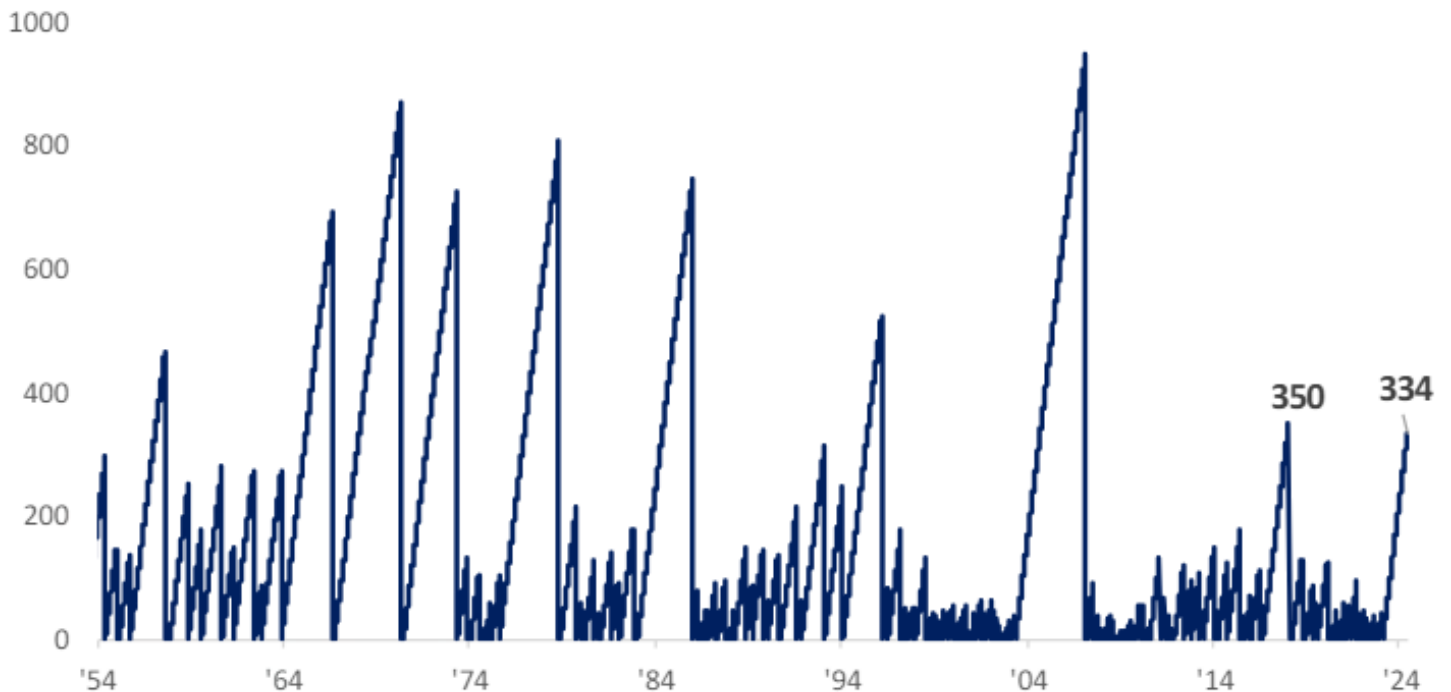
Monthly Newsletter

July 2024 Comment

## Rare Air!

Kicking off the months we are in or exploring rare air. The S&P 500 (everyone's new favorite index 😊) is now in the rare air category again. At writing we are at 334 trading sessions without a 2% drop! Thank you Nvidia and just a reminder these are not normal times.

### S&P 500 Streaks Without a 2% Declines: 1954-2024



Source: Bespoke

So, what does this chart say? Well, it is probable that at some point we will experience a decline in the index. However, it also says we could see more euphoria, maybe a lot more? Our thought is that it provides a bit of a measure of risk or a position on the risk continuum. Best word we can surmise today is elevated especially for the S&P 500 or some of the key component parts to be more precise.

Here is an example of one part of elevated risk. We had a bit of a political flair up in France post, President Emmanuel Macron's surprise decision to call an election. Now this got the trading crowd excited and defense names traded down 9% at one point just on the announcement. The collective names have since recovered somewhat but it still calls for being aware that factors sometimes come from out of nowhere.

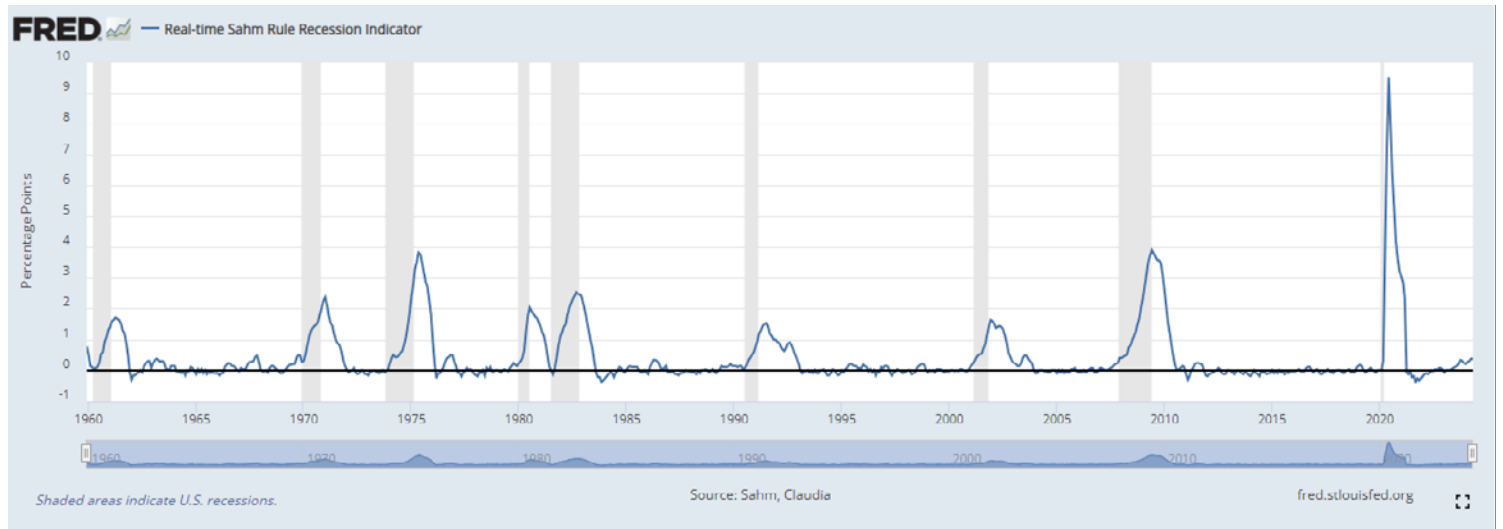
## It's a Sahm!

As we soldier on, we often find new factors that may or may not be relevant in assessing the economy and or companies. By definition:

In macroeconomics, the Sahm rule, or Sahm rule recession indicator, is a heuristic measure by the United States' Federal Reserve for determining when an economy has entered a recession.<sup>[1]</sup> It is useful in real-time evaluation of the business cycle and relies on monthly unemployment data from the Bureau of Labor Statistics (BLS). It is named after economist Claudia Sahm, formerly of the Federal Reserve and Council of Economic Advisors.

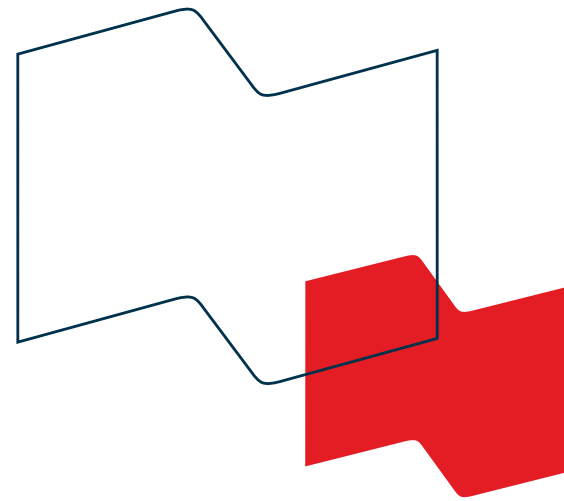
Source: Wiki

In looking at the indicator we are seeing it creep higher.



Source: St Louis Fed

While a recession does not necessarily mean the market is going to take a pause it certainly does mean or could mean we are adding another factor to the risk continuum. The word recession is a "scare" word for the markets.



## Finally

Here is a post from Time Magazine on September 27<sup>th</sup> 1999.



Source: Time Magazine

Some similarities are starting to be drawn up with the dot com era and the recent AI market run up. The comparison or guess at an outcome is beyond the scope of this writing. The one take away is that this time is different in many respects. There are a few AI names that are trading on air, but many have

real businesses with real revenue lines earnings and a somewhat understandable addressable market. What we think this AI euphoria has done is created a bit of a disconnect. Consider the following assessment of the S&P 500 the index since June of 2021 has gone up from a level of 4297 to the end of last quarter at 5254 or about 22% in the past 3 years. Now earnings have gone from \$52.05 to an estimated level of \$55.03 at the end of the last quarter, OR only an increase of 5.73%!!!!

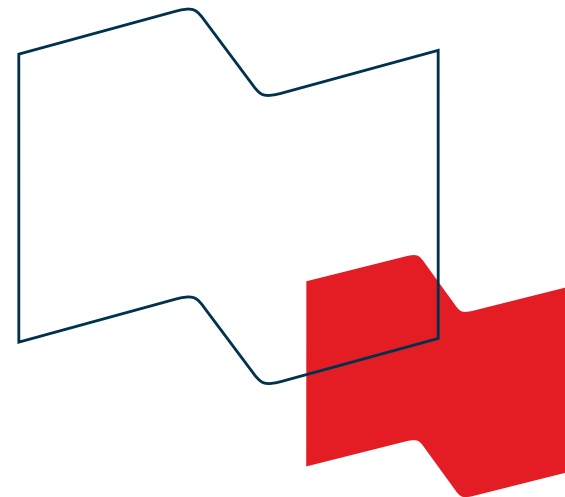
			S&P 500		Actual Earnings	
			Index Level	Change		Change
3/31/2024	88.90%	Estimate	5254	22.27%	\$ 55.03	5.73%
12/31/2023			4769		\$ 53.90	
9/30/2023			4288		\$ 52.25	
6/30/2023			4450		\$ 54.48	
3/31/2023			4109		\$ 52.54	
12/31/2022			3839		\$ 50.37	
9/30/2022			3585		\$ 50.35	
6/30/2022			3785		\$ 46.87	
3/31/2022			4530		\$ 49.36	
12/31/2021			4766		\$ 56.73	
9/30/2021			4307		\$ 52.02	
6/30/2021			4297		\$ 52.05	

Source: Wiman Wong, S&P Global

So, the market is a bit disconnected from actual earnings growth. No biggie I guess but maybe a reason for a pause of mean reversion.

Summer is Here

Enjoy the summer as you get outside and enjoy it. Thanks for reading if you made it this far.





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**Jason Wong, CIM®**

Wealth Advisor & Portfolio Manager  
416-869-7142 | [jason.wong@nbc.ca](mailto:jason.wong@nbc.ca)

130 King Street West, Suite 3100, Toronto, ON M5X 1J9



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