

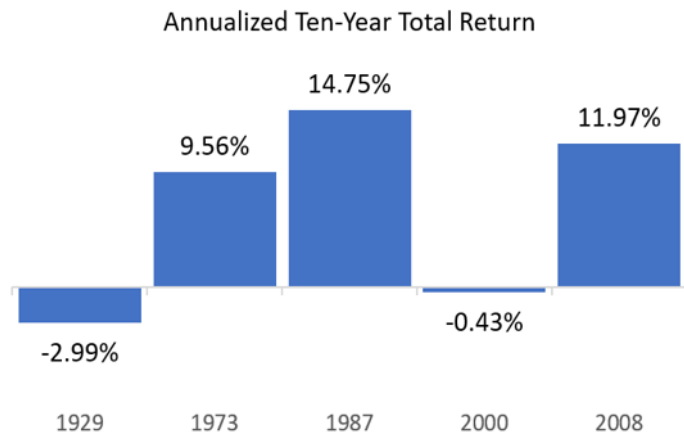


Market Musings

A newsletter brought to you by Victoria Capital Management, Inc.

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The chart shows the market's 10-year returns following (each of these five events). Although every decline brought severe uncertainty—and some recoveries took years—the results illustrate why long-term investors should be cautious about making permanent decisions during temporary crises.



“A man who is certain he is right is almost sure to be wrong..”

- Michael Faraday

Market Commentary

September was a challenging month for global equities, driven by continued geopolitical uncertainty, rising interest rates, and inflation fears. The S&P 500 declined slightly in September, while small- and mid-cap stocks fell 5.6% and 4.2%, as measured by the S&P 600 and S&P 400, respectively. European equities were down across the board, and Asian equity markets were also in the red for the month. But the BIG story for September came from the bond market. The selloff in U.S. Treasuries pushed yields to their highest level since 2002. The most watched benchmark 10-year Treasury bond hit a high of 5.3%. Meanwhile, the U.S. dollar rallied, mostly on a weak Euro that fell 2.2%.

October's Market Fright: What History Really Shows

October usually brings autumn leaves, cooler evenings, pumpkins, tricks and treats—and, unfortunately, a few reincarnated ghosts—even on Wall Street. Some impressive spooky moments from Wall Street's past include the crash of 1929, the oil-induced decline of 1973, the Black Monday crash of 1987, the dot.com bust of 2000, and the financial crisis in 2008. Memories of those blips continue to haunt many stock market investors, especially amid current fears surrounding the AI revolution. So, what should we be looking at?

The past offers some guidance on how to invest. But in historically volatile months such as October, caution is in order, and a “stay invested” position remains intact. Why? Looking at the “trick” side, we see that markets have declined after a very strong first half amid rising oil prices and conflicts in the Middle East and Ukraine. And, after expecting more interest rate cuts at the beginning of the year, investors were caught by a surprise change in monetary policy that is driving interest rates higher. On the “treat” side, the economy remains extremely resilient, with a second-quarter GDP forecast near 5% for the current quarter, productivity improving, employment remaining strong, and inflation low. The most important component of investing in the stock market is earnings, and Corporate America is no trickster either. This year looks like record corporate profit growth of historical proportions, with companies increasing their dividends while benefiting from generous tax cuts and sitting on mountains of cash.

Nevertheless, the AI goblins are still roaming the streets and media channels, forecasting gloom and doom and the end of humanity as we know it. We believe that historical precedent prevails and we could enjoy a Thanksgiving to remember. For long-term investors, we have been here before, so be patient, take a deep breath, and be a gracious host when those kids come knocking for treats. Should these short-term declines change your long-term investment plans? The answer is NO.

According to Fidelity Investments, the number of Americans with more than \$1 million in the company's 401ks surged 19% during the second quarter to a record of 769,000.