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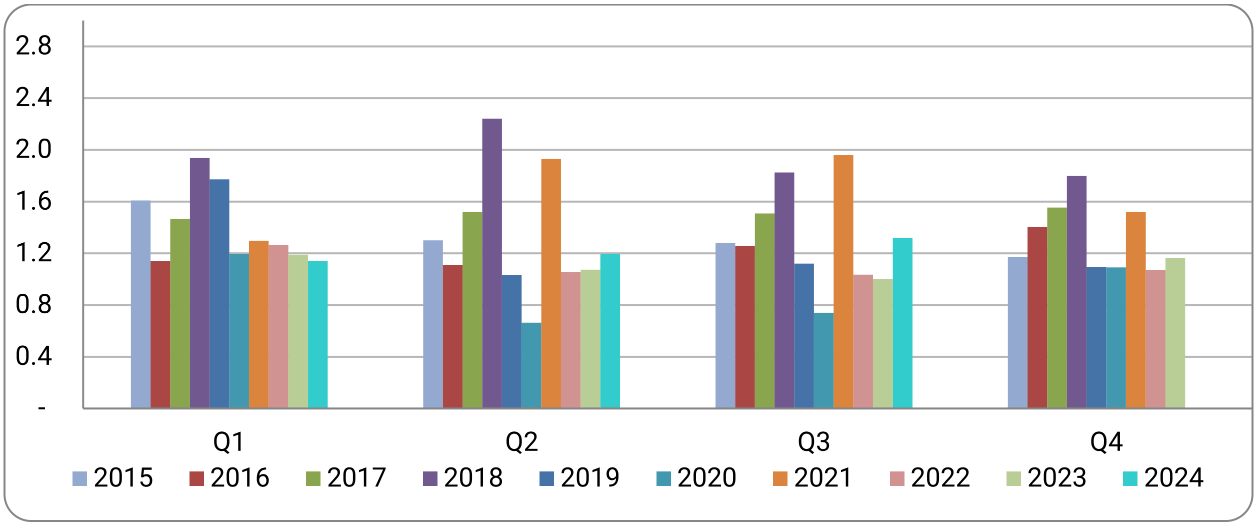
Archer 2024 4th Quarter Outlook:

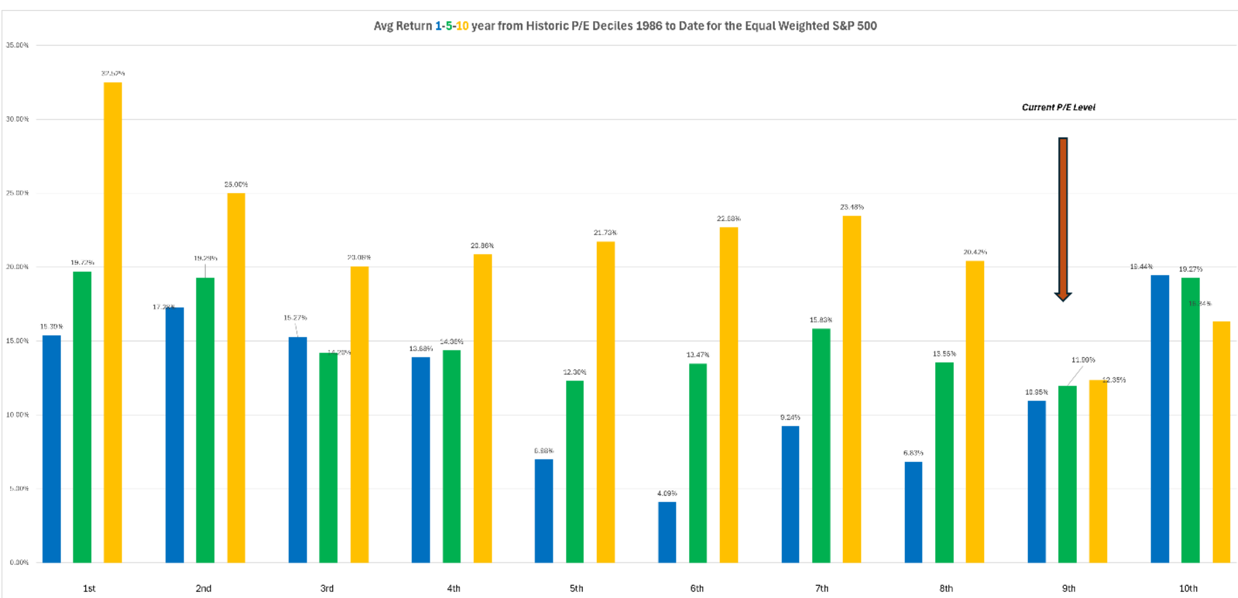
The economy is good, the economy is bad. Fewer than 23% of Americans say the economy is excellent or good according to Pew Research.

We have less than one month until the election is over and as usual, we are getting many questions about who is going to do what and the impact it will have on your finances. We should take a step back and give you a synopsis of why people think it is good vs. bad and let you decide which camp you are in. It is factual there are good things about the economy and one of those is corporate profits. As usual, we are including our graph of the corporate profits that have been presented, and clearly the economy is strong if you look at profits. We follow whether they are higher or lower than the previous year, same quarter.

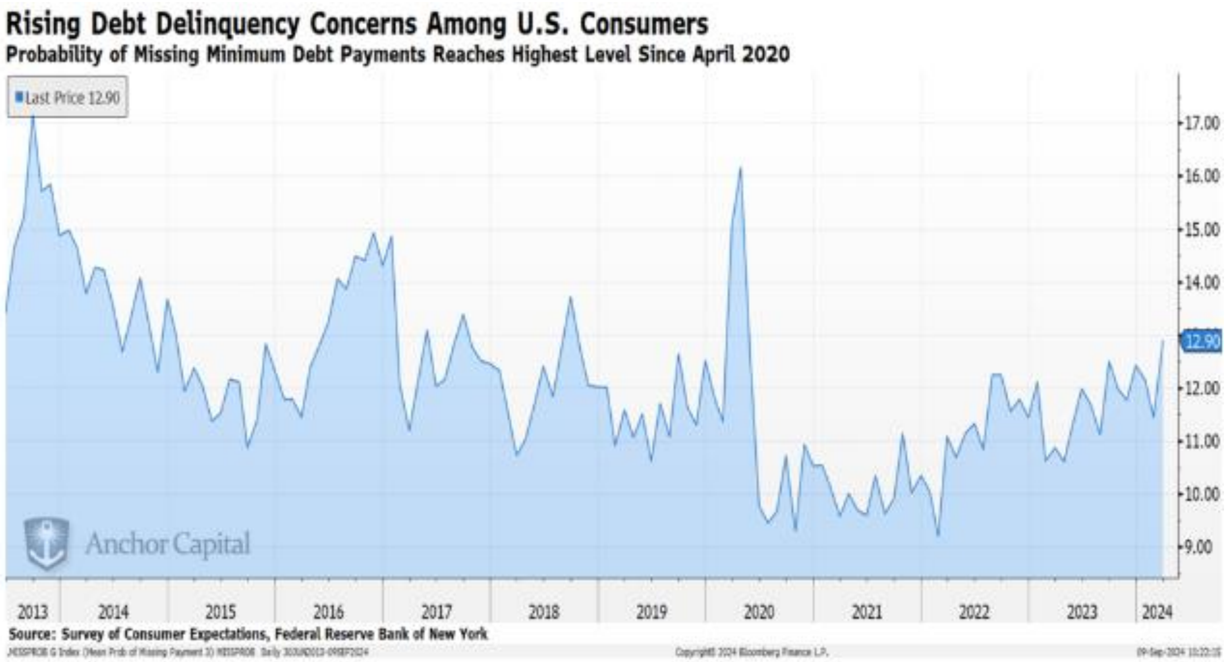
As we have noted in past outlooks, there has been plenty of cash in the coffers of individuals and corporations to keep spending at high levels. The other side of this is inflation. With inflation running hot (although cooled down, but still rising), it is important to note that wages have not kept up with inflation. If you make $125,000, this is not as big of an issue compared to someone who makes $50,000 with a family of four. This is why there are some who have real concerns about the economy vs. those who look at corporate profits as a proxy for the economy. All the cash the government printed ultimately finds its way into corporate profits, but does not necessarily help those who do not have savings in the stock market, or own a real asset such as a home.



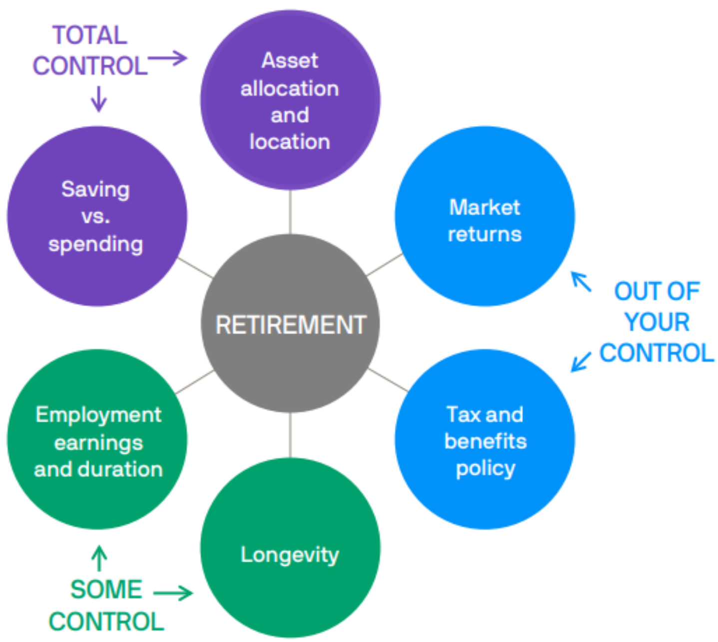
Although the stock market is overvalued, if corporate earnings continue to elevate, we could see the market get back to some normalcy. However, if you look at the next chart, clearly at Price to Earnings levels in August, the market is overvalued. This chart below is the equal weighted S&P 500 index. The returns in the near-term may not reflect an overvalued market, but the longer term of 5 and 10 years may be muted if history repeats itself.



The consumer needs to be strong to continue on this path of higher corporate earnings and for the first time in a while, we are seeing a rising debt delinquency. It has likely been muted with the amount of funds the government has generated as our national debt has skyrocketed over the last decade. This chart by Anchor Capital shows higher delinquencies and looks similar to small businesses filing for bankruptcies. Frankly, those who were living paycheck to paycheck are starting to feel the pinch as the government has focused their money on specific groups and not to the overall population as we had during COVID.



At the end of the day, we always want to ensure we are focused on retirement and do we have enough money to retire. The elections will come and go. It is not that they are not important and clearly there are disparities among the two running for President. However, some items are outside of our control as investors. We need to focus on the things we can control and understand the items we can not control.



As we get closer to year-end, and the election is over, we need to make sure we focus on some simple things to save us all money. If you have not opened an HSA, ROTH, or 529, make sure you look at these and understand the tax savings associated with each and when you should spend the dollars invested in each type of account. On day one in retirement, you are not going to spend 100% of your savings or retirement. You can diminish your tax liability by carefully planning when you take money out of each type of account along with your Social Security and/or pension.

We will be diligent in watching earnings, inflation, and employment. We continue to like the prospects of the stock market over the long term. As we have stated in the past, a recession may be on the horizon at some point, but the timing and depth of a contraction is much less certain. While we have had an inverted yield curve for quite some time, much of this has been forced by the Federal Reserve and not necessarily by market forces as distortions from government spending during covid work through the system. Alternatively, we may continue to see “rolling recessions” in certain sectors or markets as others strengthen. Overall, the health of consumers and corporations continues to be very strong.

Regards,

The Archer Team

Past performance is not a guarantee of future results.

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