



BULL BEAR REPORT: Q3 2024

BULL CASE:

The Presidential election, Senate elections and House of Representative elections are resolved by mid-November

Geopolitical events are contained

Employment continues to accelerate without inflationary consequences

The A.I. revolution is a transformative technology that will create massive innovation across all industries

Commercial Real Estate stabilizes

Increasing consumer debt does not impact consumer spending

World government debt is manageable without austerity or tax increases

Price to earnings ratios are justified due to hot employment and new developing technologies

BEAR CASE:

The Presidential election, Senate elections and House of Representative elections cannot be resolved without court rulings

Geopolitical events continue to escalate

Employment festers, or continues to accelerate, causing substantial inflationary pressures

The A.I. revolution is a bubble

Commercial Real Estate is forever changed and prices continue to erode

Increasing consumer debt impacts consumer spending and holiday retail numbers underperform current expectations

World government debt leads to some level of austerity and tax increases

Price to earnings ratios are nearing historical highs and future earnings will not justify current prices

Our Take:

The third quarter had strong equity gains (S&P 500 + 5.53%). The gains were broader based and not merely a function of the “magnificent seven” stocks. The Federal Reserve made its long-awaited rate cut on September 18th. Employment data continues to be hot, concerning some that the Fed acted too soon. Historically, elections do not have much of an impact on markets. Bull and Bear markets occur under Democrat and Republican Presidents. An orderly process with a clear winner (one way or the other) by mid-November would benefit most portfolios in the short run. Continued uncertainty, recounts and legal challenges to election results will most likely cause substantial short-term volatility.

