

WealthWise



**A look back. A look forward.
A look at the market
through the eyes of an expert.**

OCTOBER 2023

The Devon Bank Wealth Management team wants to help you stay on top of the most important news related to finance and investing. See below for the latest edition of WealthWise.

October 2023 Stock Market Report

The looooong month of September has finally, mercifully, drawn to a close. September is often a poor month for stock performance, and this year was definitely no exception.

The Nasdaq dropped about 6% in September, the second straight month of declines for the exchange where a lot of the biggest technology stocks are traded. This drop

marks the worst two-month performance for the Nasdaq since the same August/September period last year. The S&P 500 (“the market”) and the Dow (30 of the best-known “Blue Chip” stocks in the country) didn’t fare much better, also having significantly down Septembers, in which they lost 6.2% and 5%, respectively.

So, what is the explanation for such an ugly performance lately? Some of it can be attributed to **seasonality** (the end of summer, for reasons that have been debated for decades, is often characterized by weak short-term results). Still, the main culprit is likely a simple little three-word phrase that has undoubtedly been dominating the conversation in Wall Street strategy sessions of late:

“Higher for longer.”

Higher Federal Reserve interest rates, and *for longer* than had been previously anticipated.

And higher/longer interest rates go hand in hand with stocks (especially of the technology variety, which are particularly rate-sensitive) taking a beating.

But here’s the good news, at least for the near term: even though it’s off to a rough start as of this writing, the S&P 500 has gained in seven of the past 10 Octobers, suggesting that if late summer is a poor season for stocks, things get better once Fall hits.



“Daddy, do our pumpkins always have to have a stock market theme??”

Let’s face it: we’re getting a lot of mixed signals from the markets these days. Stocks are falling like a recession is coming, yet oil prices are rising like there’s no recession in sight. Interest rates are rising like we have 10% inflation, while gold is falling like inflation is gone. Housing prices are rising as if rates were falling, despite the fact that commercial real estate is falling like its 2008. It’s a particularly strange time to be an investor right now, and deciphering which signals are true indicators of where we stand and which ones are just “noise” is the real trick here.

The fourth quarter offers a fresh start for investors bruised up during the rough third quarter. **But much of the excitement that infused markets in the first half of the year has evaporated:** The “Magnificent Seven” (Amazon, Google, and the other gigantic technology stocks that wildly outperformed in the first half of the year) have been acting like they’re a bit tired out. Folks are still excited about AI and its

potential, but some of that original hype has died down recently. And, as mentioned earlier, the Fed does not appear poised to cut interest rates any time soon. Bonds have been rallying lately in an unpredicted— and frankly, unprecedented— fashion.

And during times like these, who tends to benefit the most? **The media** (no mainstream media conspiracy theories ahead, we promise!) Individual investors, in particular, are looking for answers right now, and channels like CNBC and Fox Business tend to profit the most. And while it's fine to tune in and ingest whatever the talking heads might be cooking up, remember that **business media tends to bias their headlines towards bearishness**. Fear sells, and getting you all worked up about interest rate uncertainty and potential earnings disappointments is no different than your local news station starting the nightly news with stories about crime. It grabs your attention, but it can also mislead you into believing things are worse than they really are.

Keep your eyes on the big picture. How companies perform over the next 1-2 years is a *lot* more important than how much their share prices fluctuate over the next 1-2 days.

Investing 101: *Why 'Buy the Dips' Doesn't Work!*

Fact #1: one of the basic functions of a **hedge fund** is to time the market in such a way that they only buy stocks when the market is low and only sell when it's high.

Fact #2: half of all hedge funds go out of business before they reach their 7th birthday. These two facts are not a coincidence. Let's examine.

Schwab recently published an interesting piece in which they compared a \$2,000 investment made every year for 20 years but invested with four distinct strategies in the S&P 500 Index. How they all fared was fascinating:

- **Strategy #1** involved perfect market timing (the \$2,000 was invested at the very lowest point of every year).
- **Strategy #2** simply invested the \$2,000 in the market on the first trading day of every year.
- **Strategy #3** divided the \$2,000 into 12 equal monthly investments (aka "dollar cost averaging").
- **Strategy #4** invested the \$2,000 at the market's highest point every year (in other words, terrible timing).

Predictably, Strategy #1 came out on top, growing to \$138,000. But here was the study's most stunning finding: Strategy #2 came in second with \$127,506—only 7.5% behind Strategy #1. A ridiculously small difference over that time period, especially considering that **Strategy #1 was absolutely impossible to accomplish in real life, whereas Strategy #2 would have been ridiculously easy!** Strategy #3 also didn't come in far behind, and surprisingly, Strategy #4 performed pretty well, too (amazing, considering #4 involved unrealistically bad timing twenty times in a row.).

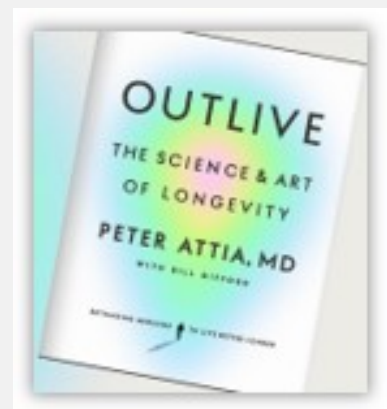
So what's the big takeaway? It's not when you invest but that you invest. Warren Buffet has never tried to pick the absolute bottoms before he buys because he knows it's impossible. You would be wise to follow his lead.

Misc...

- Advertising on Las Vegas' newest sensation, The Sphere, isn't cheap. One day of advertising costs \$450,000, while a full week runs for the relative bargain of \$650,000. It seems like a real cash cow until you consider that the price tag of building The Sphere was \$2.3 billion (which means that at these rates, they'll need to sell ads for roughly 14 years to make back their investment on ads alone.).
- **Do you have a topic you'd like discussed in an upcoming Devon Digest?** Maybe you have a question other folks might want to know the answer to, too? Or have you seen any recent investment articles or blog posts that deserve a conversation? We would love to hear your suggestions! Please email your ideas to pmanelis@devonbank.com. Or better yet, if you'd like to discuss them...**Better Call Paul!**



- **Paul's Picks: 'Outlive' by Peter Attia, MD** This book is a real wake-up call for anyone in their 40s or— like me— their 50s. The basic premise: if you don't have a plan now to prepare yourself mentally and physically for your 70s and 80s, then plan on a lousy 70s (and possibly no 80s!) After reading this book, I immediately undertook lifestyle changes (better diet, new exercise program) that I hope will pay off later in life. *Devon employees, feel free to stop by and borrow my copy any time!*



See you next month!

Paul Manelis

Introducing WealthWise Wednesdays!

At Devon Bank, we believe that even thousandaires deserve to be treated like millionaires. That's because we're less concerned with what you have in the bank today than what your goals are for tomorrow.

Yep, we believe that financial empowerment is a right, not a privilege. To further our commitment to assisting our customers in securing their financial future, we're

introducing WealthWise Wednesdays – a campaign designed to provide free and valuable financial advice.

On select Wednesdays of every month, Paul Manelis, our Vice President of Wealth Management, will be available at our Chicago and Glenview branches to answer your questions about investing, retirement planning, debt management, and other financial matters you may have questions on.

For October, Paul will be at our Chicago Branch on Wednesday, October 18, 2023, and at our Glenview location on Wednesday, October 25, 2023. Hours are from 10:00 am - 4:00 pm. Feel free to stop by and introduce yourself!



Ready to build wealth for tomorrow?

Call Paul Manelis, VP Trust and Wealth Management, at Devon Bank today at (773) 423-2356.

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