

TWO MINUTE DRILL

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LakePointe Advisors LLC

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Index	10/31/2023	Change	% Change	% YTD
Dow Jones Industrial Average	33,052.87	123.91	0.38%	-0.28%
S&P 500	4,193.80	26.98	0.65%	9.23%
NASDAQ Composite	12,851.24	61.75	0.48%	22.78%
Russell 2000	1,662.28	14.99	0.91%	-5.62%
MSCI EAFE	1,947.91	-4.05	-0.21%	0.21%
MSCI Emerging Market	915.20	-6.71	-0.73%	-4.31%

Source: FactSet. All performance percentages are simple appreciation, which excludes the effect of dividends. Bloomberg U.S. Aggregate displays as actual YTD%, as opposed to 12-month, year-over-year performance

TOP NEWS

Markets:

- Stock market volatility continued in October with new tensions in the Middle East and spiking interest rates. At the end of October, the S&P 500, NASDAQ, and international stocks were still positive for the year while the DOW finished in the red.

Government:

- Eight Republicans joined with all Democrats in congress to remove the Speaker of the House, Kevin McCarthy. On October 25th, Mike Johnson of Louisiana was elected to replace McCarthy.

Economy:

- Bond yields spiked in October hitting their highest level since 2006. 30-year mortgage rates hit a 23-year high of 7.90%.

FEATURED TIPS

The Magnificent 7

If I told you that the return of just 7 stocks out of 500 could make the difference between a positive and negative stock market return year-to-date, would you believe me? What if I went even further and told you that the return of those same 7 stocks out of all large, mid, and small size companies, a total of 3,000 stocks could make the difference between a positive and negative stock market return year-to-date, would you believe me then?

If you answered yes, you're right. As of mid-October, the Magnificent 7 (Meta, Apple, Amazon, Alphabet, Microsoft, Nvidia, Tesla) have broadly carried the market year-to-date.

So why am I telling you this?

When stock market returns are so narrow, it begs caution. It tells a misleading story of what is truly happening in the markets. Remember the old saying, "trees don't grow to the sky". At some point, one of those "Magnificent" companies are likely to miss earnings or revenue estimates, they won't deliver enough cars, phones, ads, etc. Reality will set in and so will selling.

Obviously, most investors will take gains any way they can get them. However, we will eventually need to see wider upside participation. Concentration of holdings and returns creates increased risk. Diversification of holdings and broad participation in returns is the preferred, healthier scenario. How we get there from here is anyone's guess.

History says the next six months are favorable for stocks. Let's hope the favorability includes more than the Magnificent 7.

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Investors cannot invest directly in indexes. The performance of any index is not indicative of the performance of any investment and does not take into account the effects of inflation and the fees and expenses associated with investing.

The Russell 2000 is a stock market index measuring the performance of 2000 small capitalization stocks. It represents the 2000 smallest companies in the Russell 3000 Index, which in turn represents the 3000 largest companies in the U.S. Thus, the Russell 2000 is a barometer of small-cap stocks. Though small, the companies represented by the Russell 2000 are not the smallest of the small as they are not penny stocks. The Russell 2000 is weighted by the market capitalization of the stocks.

The MSCI EAFE Index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The MSCI Emerging Markets Index is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

Before deciding whether to retain assets in a 401(k) or roll over to an IRA, an investor should consider various factors including, but not limited to, investment options, fees and expenses, services, withdrawal penalties, protection from creditors and legal judgments, required minimum distributions and possession of employer stock. Please view the Investor Alerts section of the FINRA website for additional information.



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