

The Leuthold Group

“Perilous, But Not ‘Peak’y”

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October 24, 2024



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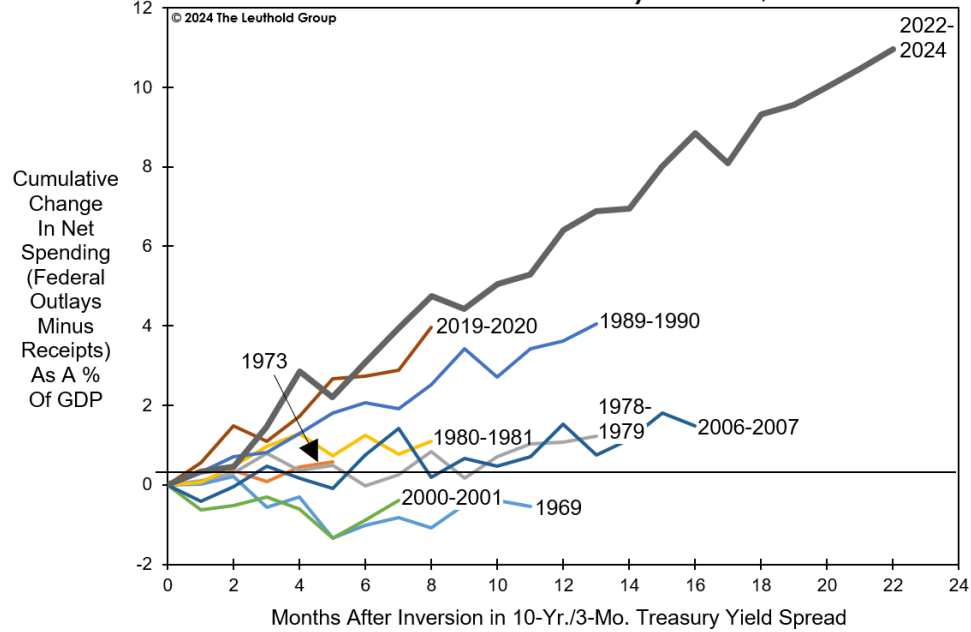
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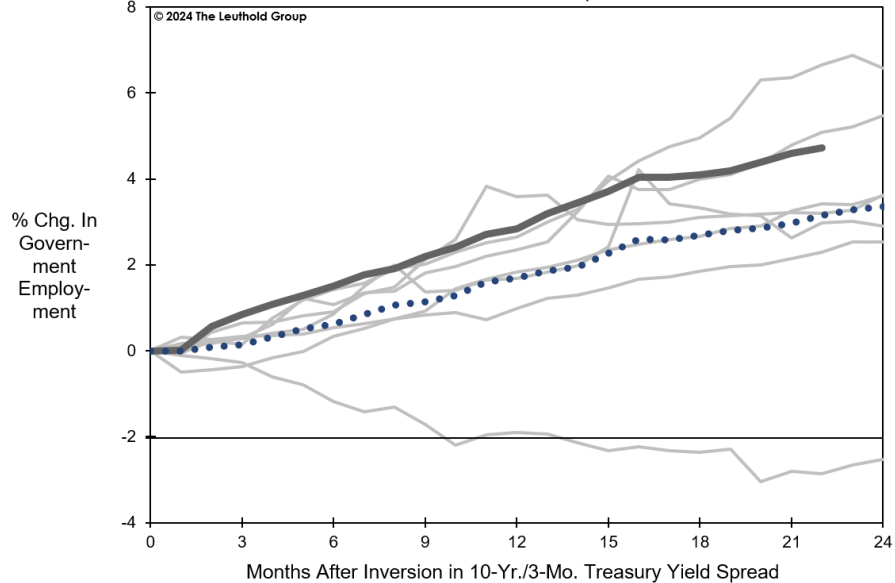
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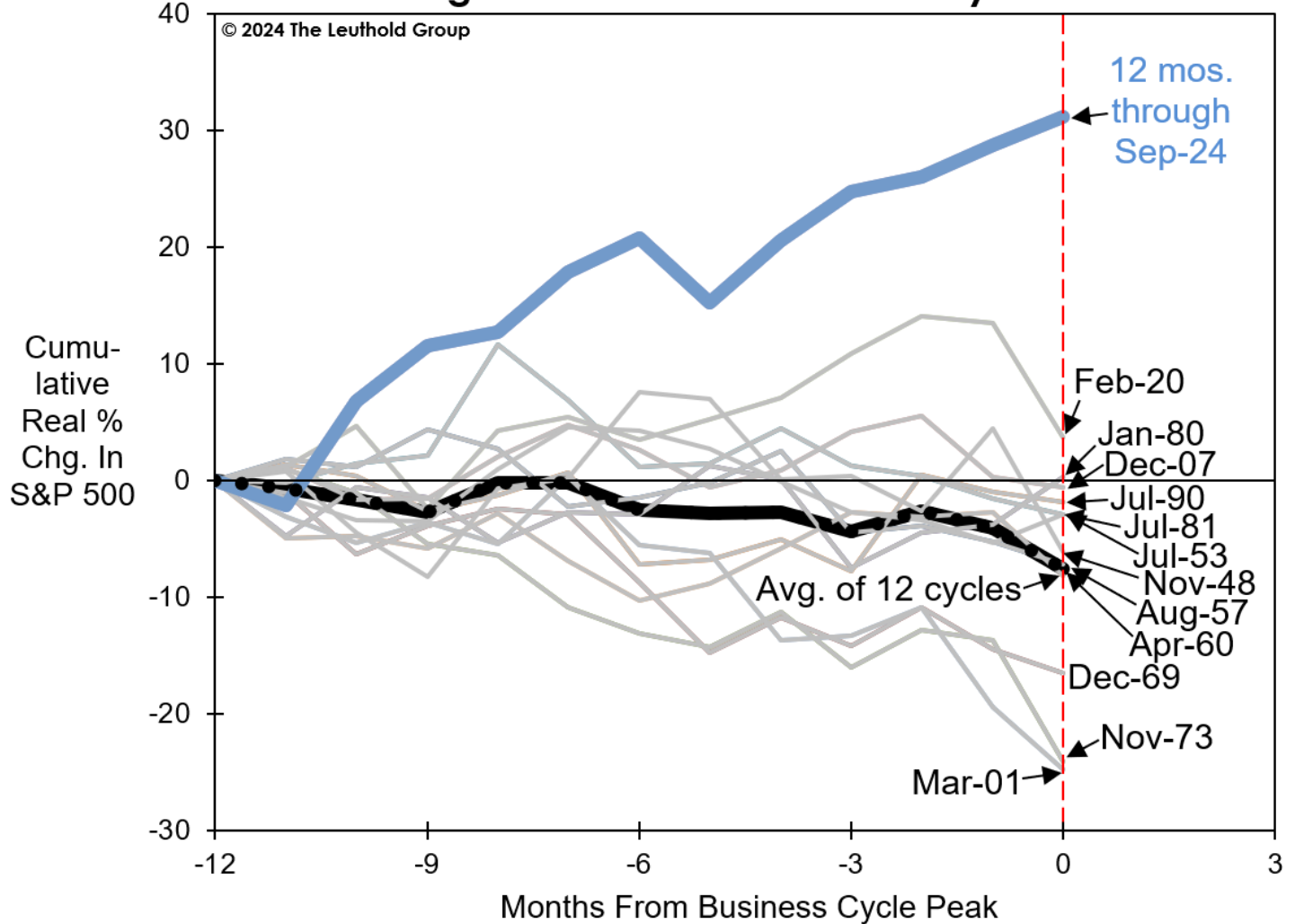
Cumulative Deficit Spending Occurring Between Yield Curve Inversion And Business Cycle Peaks, 1968 To Date



Growth In Government Employment In 24 Months After Yield Curve Inversion, 1968 To Date



Real 12-Mo. Performance Of The S&P 500 Leading Into The Last 12 Business Cycle Peaks



S&P 500 Performance After Gaining More Than 30% In The Last 12 Months*

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Month When 12-Mo. Gain Exceeds 30%	S&P 500 12-Mo. Gain	S&P 500 Next 12-Mo %	Business Cycle Peak In Next 12 Mos.?
December 31, 1927	30.9	37.9	No
April 30, 1933	42.7	25.7	No
October 31, 1935	41.4	38.1	No
March 31, 1943	44.6	3.8	No
October 31, 1945	30.5	-10.9	No
May 31, 1950	32.3	14.6	No
September 30, 1954	38.4	35.2	No
December 31, 1958	38.1	8.5	No
October 31, 1963	30.9	14.7	No
May 31, 1971	30.2	9.9	No
September 30, 1975	32.0	25.5	No
November 29, 1980	32.4	-10.1	Yes - 8 mos. later
February 28, 1983	30.9	6.1	No
March 31, 1986	32.2	22.1	No
July 31, 1987	35.0	-14.6	No
August 31, 1989	34.4	-8.2	Yes - 11 mos. later
November 30, 1995	33.4	25.1	No
June 30, 1997	32.0	28.1	No
January 30, 2004	32.2	4.4	No
January 29, 2010	30.0	19.8	No
March 31, 2021	53.7	14.0	No
September 30, 2024	34.4	?	?
Avg. After Above Cases	35.1	13.8	No peak in 19 of 21 cases
Avg., All Periods	8.3	8.3	

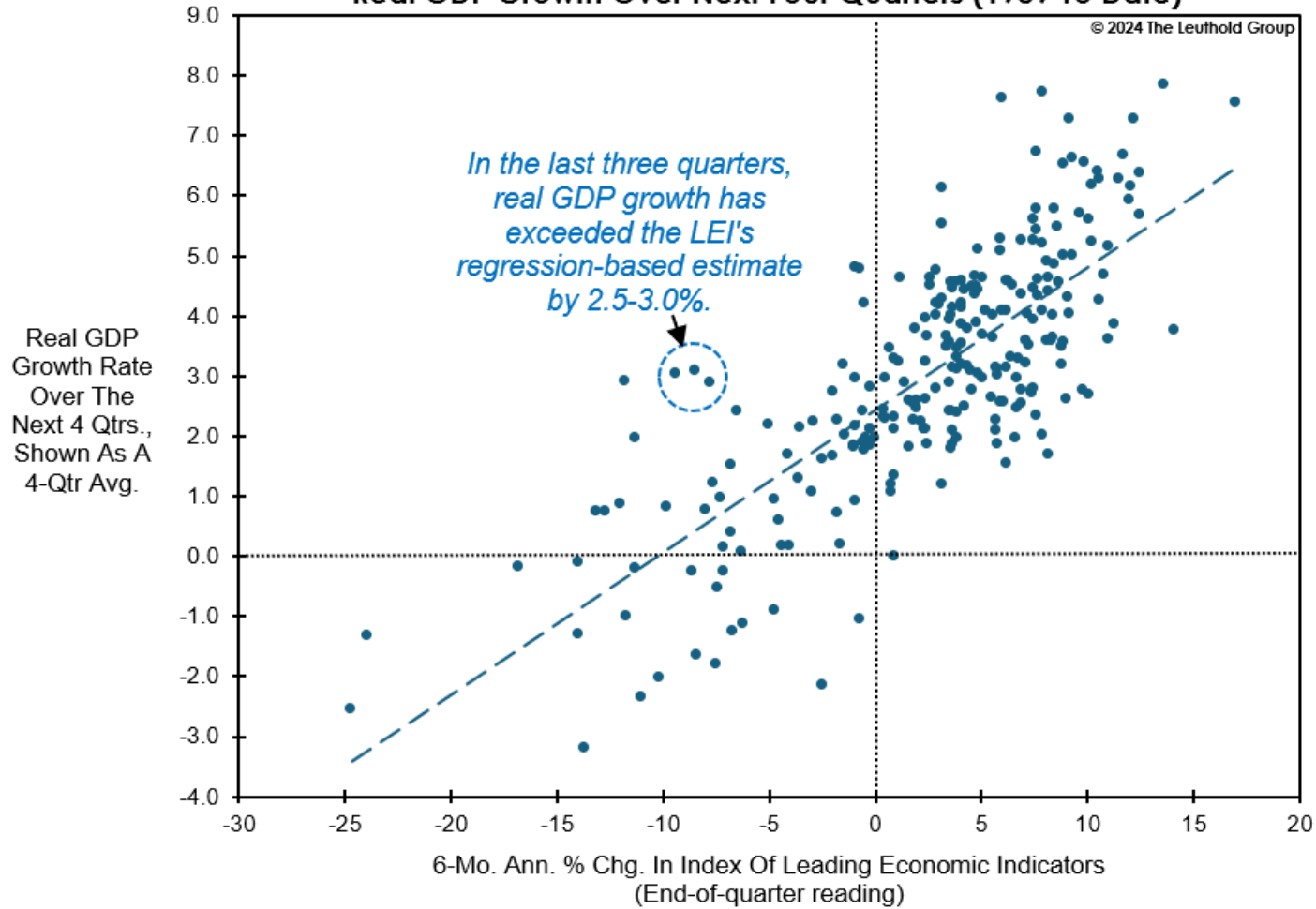
*12-month gain must be below 30% for each of the previous 12 months.

© 2024 The Leuthold Group		Proxy for economic growth.	Proxy for acceleration/ deceleration in growth.
Month When 12-Mo. Gain Exceeds 30%	S&P 500 12-Mo. Gain	12-Mo. Fwd % Chg. In Coincident Economic Indicators	12-Mo. Fwd Chg. In 12-Mo. % Chg. In Coincident Econ. Ind.
October 31, 1963	30.9	4.3	-0.2
May 31, 1971	30.2	5.6	4.3
September 30, 1975	32.0	5.1	8.4
November 29, 1980	32.4	0.0	0.0
February 28, 1983	30.9	8.1	10.0
March 31, 1986	32.2	3.1	0.9
July 31, 1987	35.0	4.3	0.9
August 31, 1989	34.4	1.6	-0.5
November 30, 1995	33.4	3.9	0.9
June 30, 1997	32.0	5.1	0.6
January 30, 2004	32.2	3.0	1.5
January 29, 2010	30.0	4.2	6.1
March 31, 2021	53.7	2.5	0.9
September 30, 2024	34.4	?	?
Avg. After Above Cases	35.1	3.9	2.6
Avg., All Periods	8.3	2.4	0.0

*12-month gain must be below 30% for each of the previous 12 months.

Large market gains are usually followed by economic growth rates that are both above-average and *accelerating*.

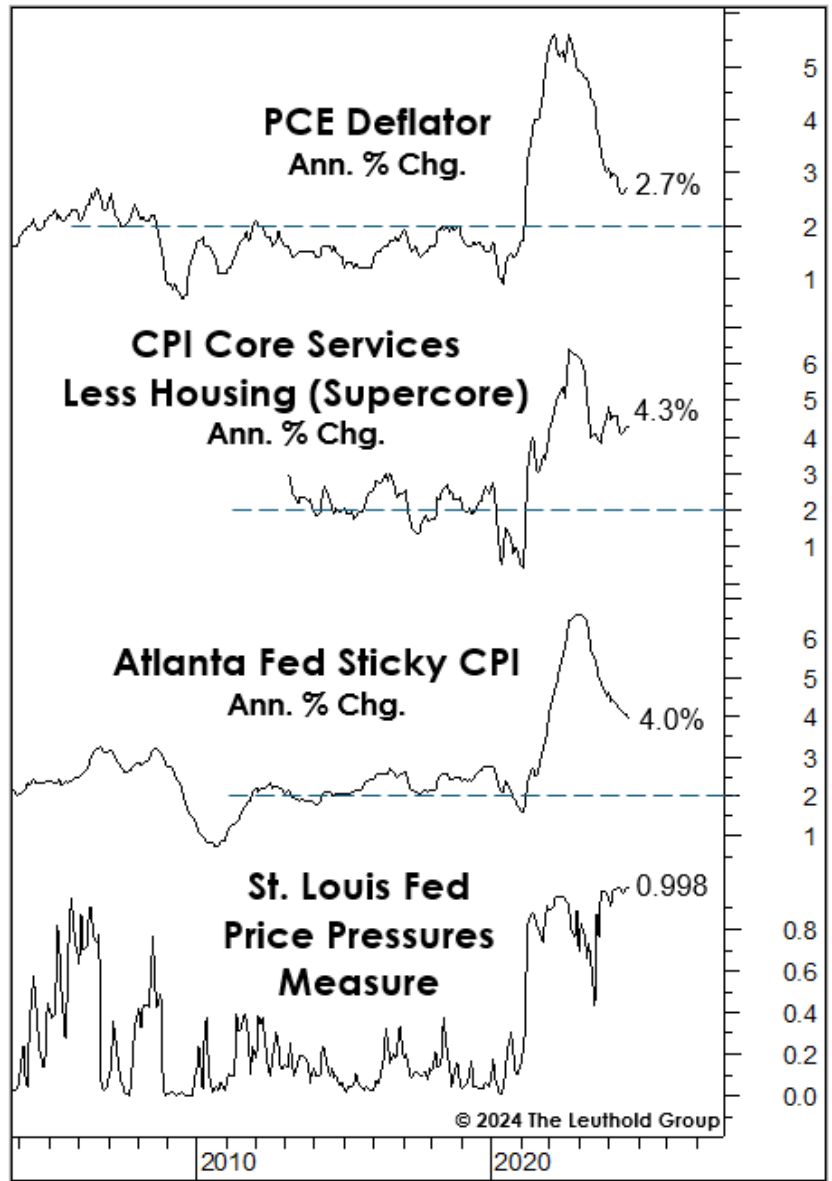
Index Of Leading Economic Indicators Versus Real GDP Growth Over Next Four Quarters (1959 To Date)



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Month When 12-Mo. Gain Exceeds 30%	Avg. Unempl. Rate During 12-Mos.
May 31, 1950	6.5
September 30, 1954	5.2
December 31, 1958	6.8
October 31, 1963	5.6
May 31, 1971	5.6
September 30, 1975	8.1
November 29, 1980	7.1
February 28, 1983	10.0
March 31, 1986	7.1
July 31, 1987	6.6
August 31, 1989	5.3
November 30, 1995	5.6
June 30, 1997	5.2
January 30, 2004	6.0
January 29, 2010	9.5
March 31, 2021	8.7
September 30, 2024	3.9
Avg. After Above Cases	6.6
Avg., All Periods	5.7

Rallies like that of the last 12 months have previously occurred with much looser labor market conditions (and therefore a more accommodative Fed).

That recent gains have come with the economy at or near full employment makes it more likely that "wealth-flation" will leak into consumer prices.

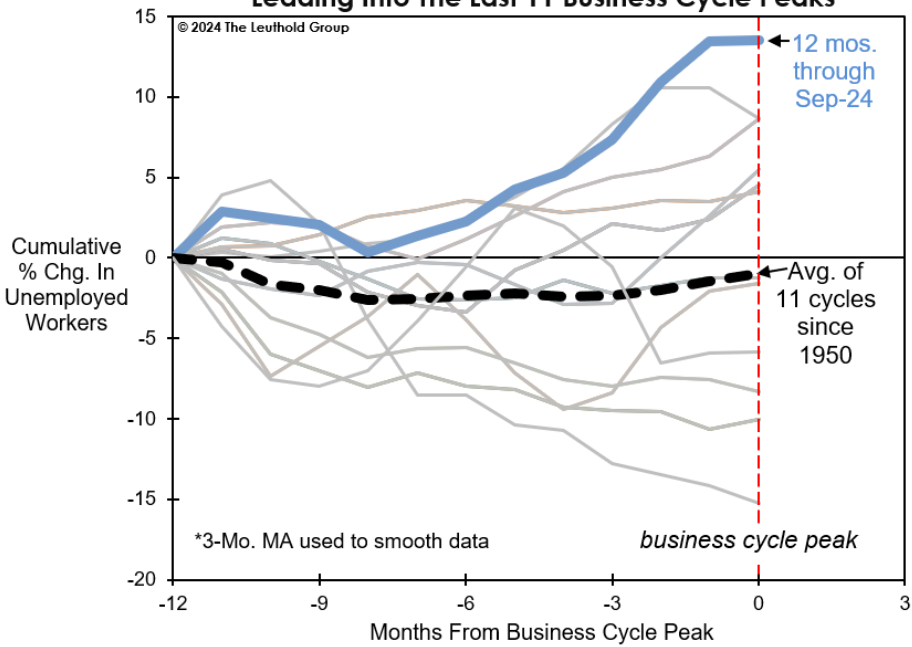


Consumers Are More Bullish Than Ever On Stocks, But Don't See Those Gains Helping Them...

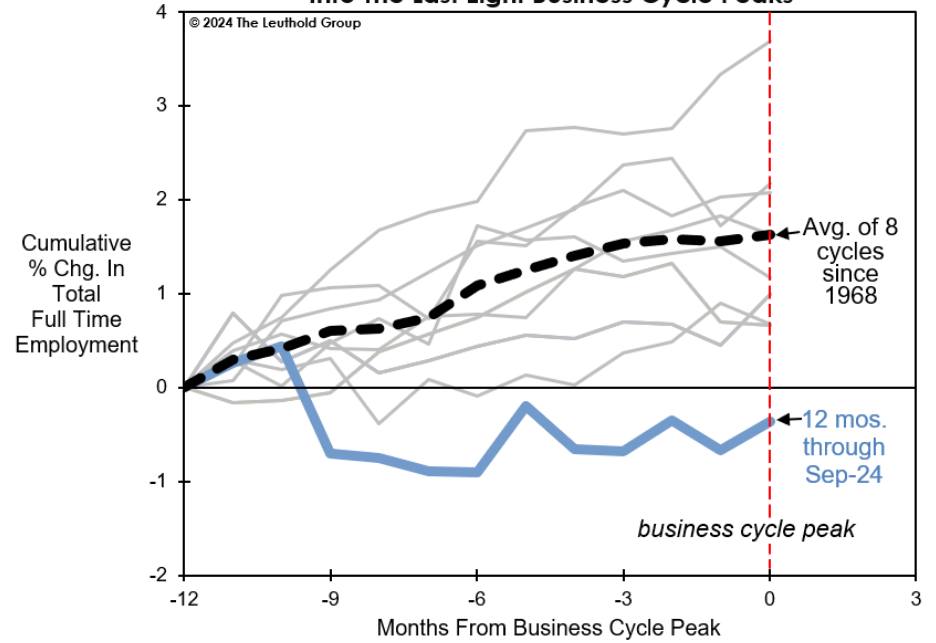


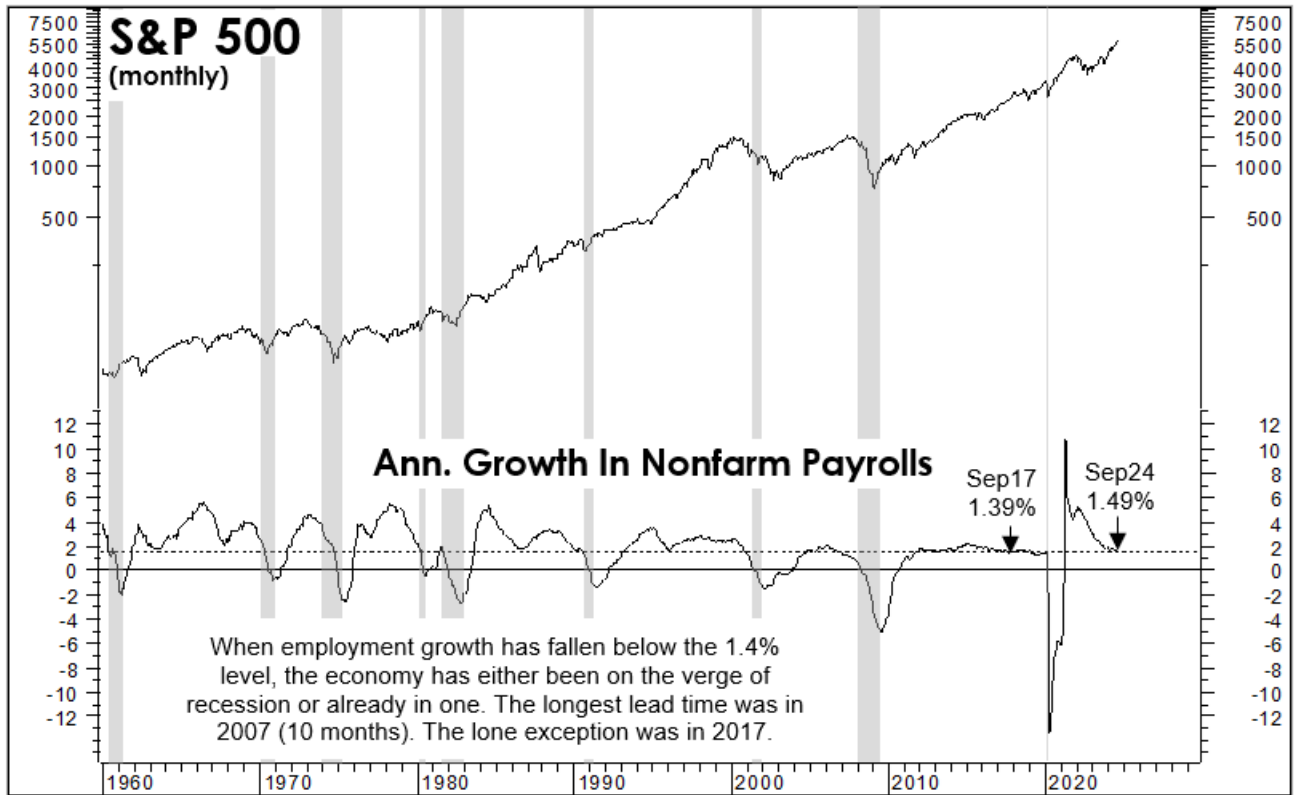
Source: Conference Board
Both series shown as 6-mo. moving avg.

% Chg. In Unemployed Workers* During The 12 Mos. Leading Into The Last 11 Business Cycle Peaks



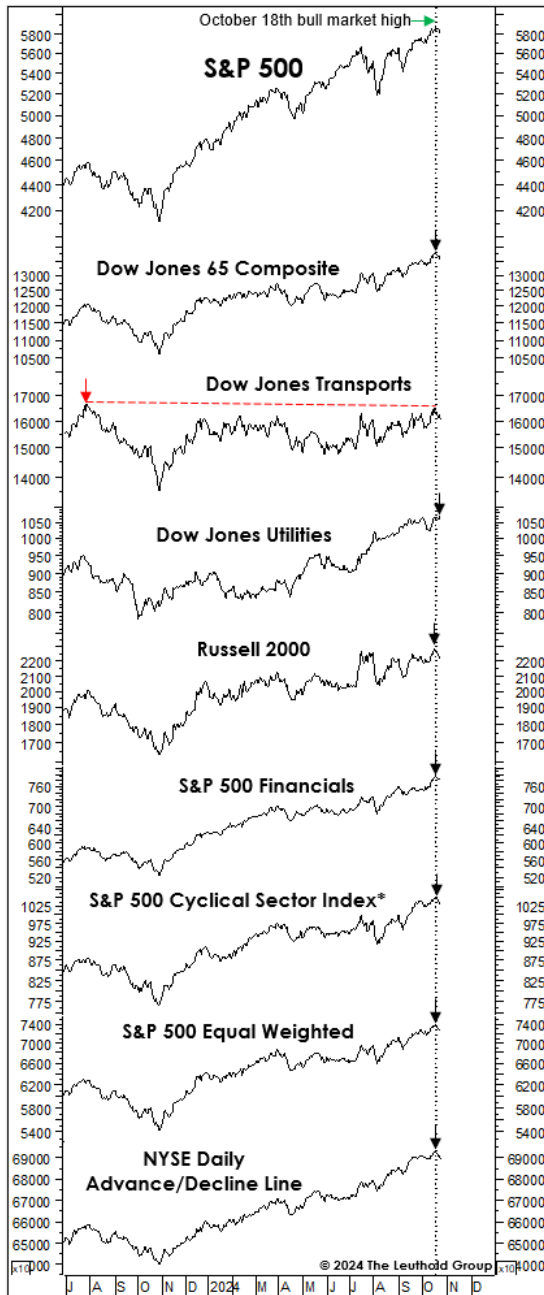
% Chg. In Full-Time Employment Leading Into The Last Eight Business Cycle Peaks





Shaded areas represent U.S. recessions.

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*Equal-weighted composite of S&P 500 Consumer Discretionary, Industrials & Materials sectors.

Yellow Flags*: Prior Market Tops Vs. Latest High

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Date of Bull Market Peak	No. of Yellow Flags	Bear Market Loss (%)
August 25, 1987	2	-33.5
July 16, 1990	8	-19.9
March 24, 2000	7	-49.1
October 9, 2007	8	-56.8
February 19, 2020	3	-33.9
January 3, 2022	5	-25.4
Recent High October 18, 2024	1	NA

*A Yellow Flag is raised when one of the eight bellwethers shown in the accompanying chart fails to make a new bull market high in the 21 days leading up to a new S&P 500 high.

**Ann. Spread Between
Equal Wtd. S&P 1500 &
Cap-Wtd. S&P 500**

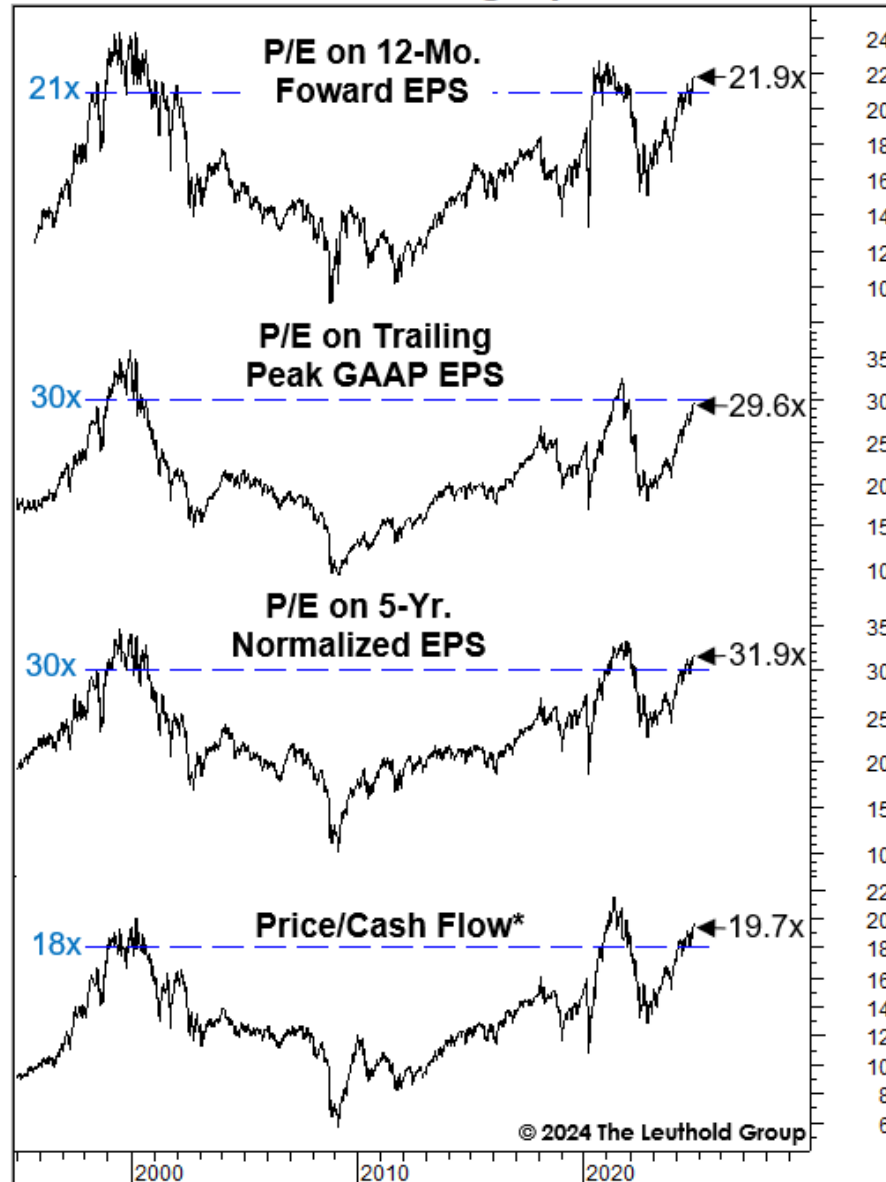
1997	-5.1	2011	-3.0
1998	-22.4	2012	3.0
1999	-10.1	2013	7.2
2000	21.2	2014	-3.9
2001	22.6	2015	-5.4
2002	6.9	2016	11.6
2003	15.4	2017	-7.2
2004	7.8	2018	-4.8
2005	3.3	2019	-6.6
2006	0.8	2020	-3.4
2007	-5.9	2021	1.7
2008	1.5	2022	4.6
2009	20.3	2023	-11.8
2010	11.9	2024*	-13.8
<i>*through 10/23</i>		Avg.	1.3

very
tough
stretch
for
active
equity
managers

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<p>© 2024 The Leuthold Group</p>	<p>estimated downside/upside to 1995-to-date "New Era" medians <u>(as of September 30, 2024)</u></p>		
<p>Median valuation measure</p>	<p>S&P 500</p>	<p>MidCap 400</p>	<p>SmallCap 600</p>
<p>Trailing P/E</p>	<p>-23</p>	<p>-12</p>	<p>-6</p>
<p>Normalized P/E</p>	<p>-15 %</p>	<p>-8 %</p>	<p>0 %</p>
<p>Price/Cash Flow</p>	<p>-24</p>	<p>-5</p>	<p>7</p>
<p>Price/Sales</p>	<p>-46</p>	<p>-27</p>	<p>-22</p>
<p>Price-to-Book</p>	<p>-23</p>	<p>-17</p>	<p>5</p>
<p>Average</p>	<p>-26 %</p>	<p>-14 %</p>	<p>-3 %</p>

Bubbling Up!

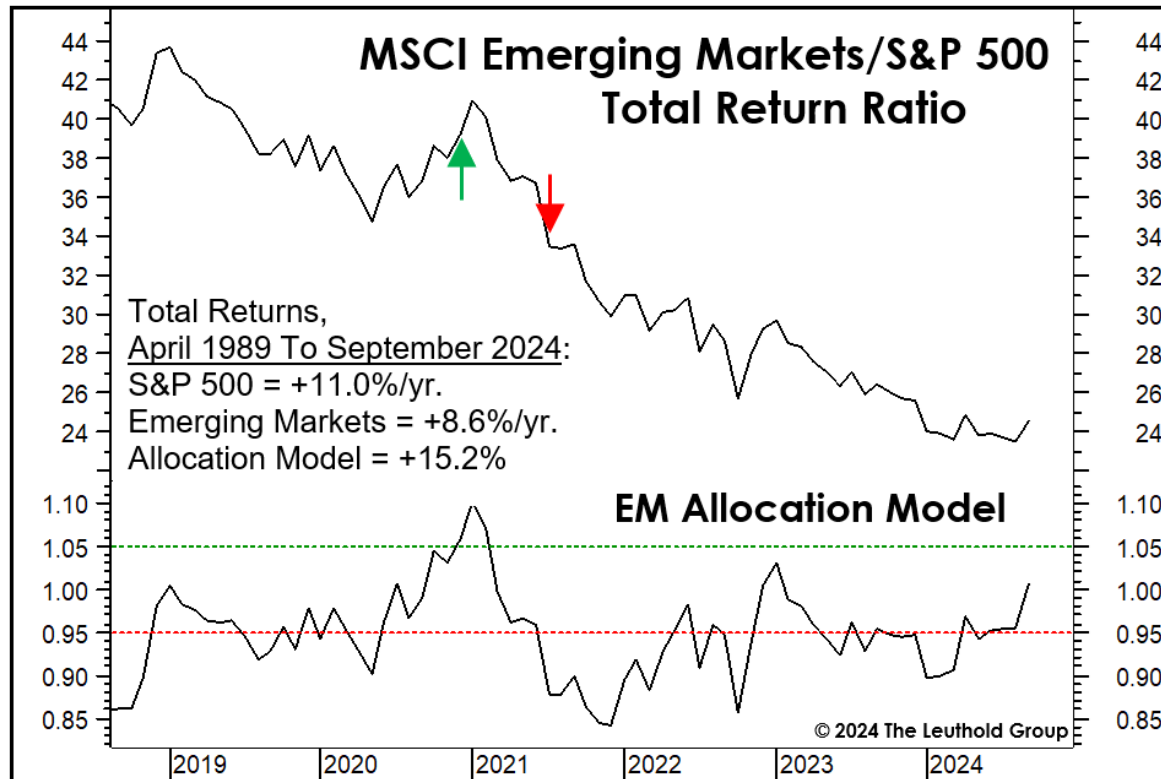


*Data for the MSCI USA Index.
Weekly data through October 18th

10-Year Stock Market Forecast Using Modern Era (1957-to-Date) Assumptions

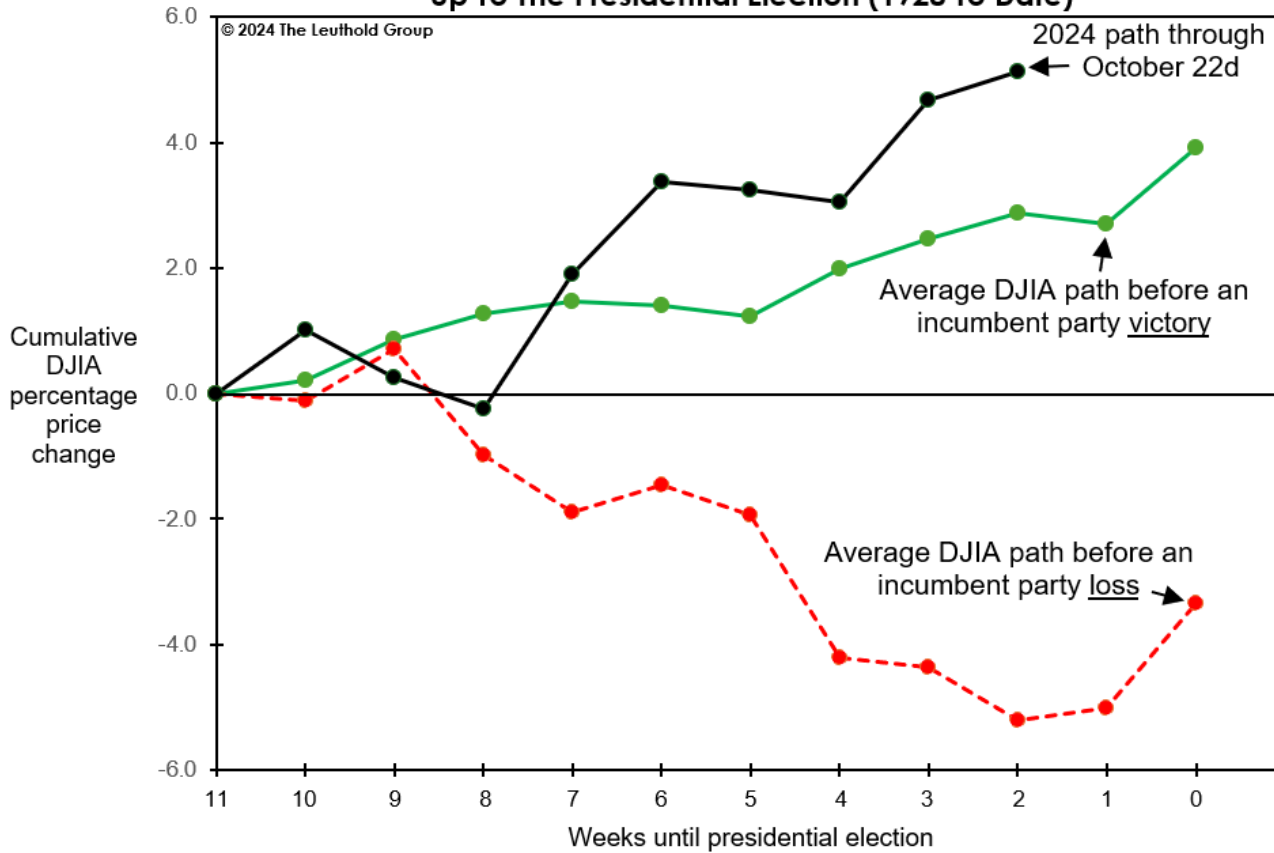
	September 2024	September 2034 (Projected)
S&P 500	5762	
	Assume 5-Yr. Normalized EPS grow at their 1957-to-date annualized rate of +6.3% per year.	
S&P 500 5-Yr. Normalized EPS	\$183.63	\$338.28
	Assume Normalized P/E reverts to 1957-to-date median of 19.4x.	
S&P 500 P/E on 5-Yr. Nrm. EPS	31.4x	19.4x
		↓
	S&P 500 Target (September 2034)	6563
		↓
	Annualized Price Gain	1.3%
		+
	Beginning S&P 500 Dividend Yield	1.3%
		=
	Estimated Annualized Total Return, September 2024 - September 2034	<u>+2.6%</u>

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*Buy EM when Model breaks above upper band, and switch into S&P 500 when it drops below lower band.

The Stock Market Can Sniff Out A Winner: Cumulative DJIA Performance In The 11 Weeks Leading Up To The Presidential Election (1928 To Date)



**Leuthold Core Portfolio
Asset Allocation
October 23, 2024**

