

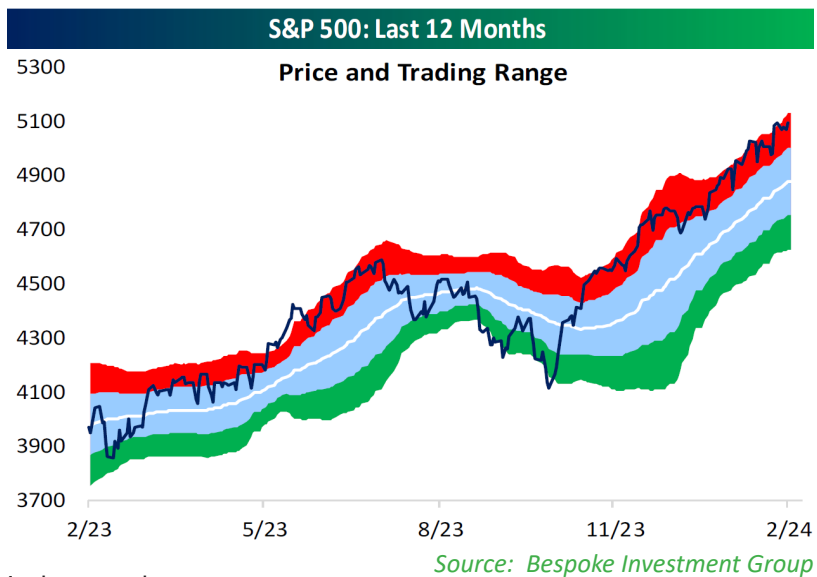
March 4, 2024

Capital Ideas Advisors
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Dear Reader,

It was October of 2023, and the S&P 500 was trading at the 4100 level. Had we predicted it would be one thousand points higher four months later, you would have decided we had lost our minds. Yet here it is! On March 1, the S&P closed at 5138.07. This type of momentum thrust, a 20% or more move up in prices in four months' time, is not unprecedented, but it is uncommon. Since 1953 it has only happened twenty-one other times. And the average return over the next twelve months was 15%.

We would not be very excited by this statistic if not accompanied by other unusually bullish events. The most important of which is an extremely rapid easing in financial conditions since the October market lows. Since 1980, the Goldman Sachs Financial Conditions Index has only eased by 1%+ over a four-month period twelve times. The average gain for the S&P 500 one year later was 17%. The simultaneous combination of



the two conditions is reminiscent of Paul Volker's September 1982 Fed easing. That was the kickoff to a 17-year bull market in stocks as the S&P rallied from its August low of 102 to the March 2000 high of 1553.

This rapid easing of financial conditions have been supported by an improved earnings outlook and the Federal Reserve ending its rate hiking cycle that kicked off in 2022. These two factors have lifted stocks to new highs while allowing interest rates to stabilize at lower levels over the past several months. The recent stock market gains have also had a greater level



of participation outside of the largest technology companies, which is a welcome sign regarding the breadth and staying power of the current bull market. As this is happening the S&P 500's two hundred day moving average price has risen to new highs, confirming this longer-term bullish trend.

As you know we believe it is important that market advances are supported by economic as well as technical factors. Currently a resilient consumer and renewed strength in housing have supported a healthy economic backdrop for this current bull market to flourish. In the last quarter real consumer spending increased at an annualized rate of 3% while the S&P Case-Schiller home price index registered a 6.1% year over year gain. Given that consumer spending accounts for two thirds

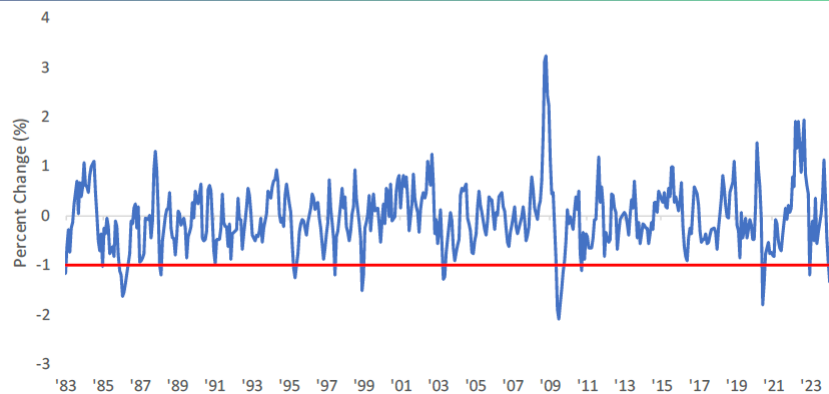
of U.S. GDP, a strong consumer is a crucial driver of revenue and earnings growth which leads to higher stock prices. We have participated in the tech driven rally

and are paying attention to areas of the market that have so far failed to participate in the current bull market. This includes

Goldman Sachs Financial Conditions Index: Last 12 Months



Four-Month Change in Goldman Sachs Financial Conditions Index



1%+ Four Month Declines in GS Financial Conditions Index: 1982 - 2024*

Start	End	Four Month Change (%)		S&P 500 Forward Returns (%)			
		Goldman FC Index	S&P 500	One Month	Three Months	Six Months	One Year
9/30/82	1/31/83	-1.18	20.66	1.90	13.16	11.88	12.46
9/28/84	1/31/85	-1.02	8.15	0.86	0.11	6.29	17.90
8/30/85	12/31/85	-1.12	12.01	0.24	13.07	18.72	14.62
10/30/87	2/29/88	-1.01	6.37	-3.33	-2.11	-2.35	7.86
12/30/94	4/28/95	-1.06	12.07	3.63	9.20	12.98	27.09
3/31/97	7/31/97	-1.20	26.04	-5.74	-4.16	2.72	17.43
8/31/98	12/31/98	-1.52	28.41	4.10	4.65	11.67	19.53
1/31/03	5/30/03	-1.29	12.61	1.13	4.61	9.82	16.30
2/27/09	6/30/09	-1.90	25.06	7.41	14.98	21.30	12.12
6/30/10	10/29/10	-1.11	14.80	-0.23	8.69	15.24	5.92
3/31/20	7/31/20	-1.82	26.56	7.01	-0.04	13.55	34.37
9/30/22	1/31/23	-1.21	13.69	-2.61	2.28	12.57	18.86
10/31/23	2/23/24	-1.38	19.04				
* No other occurrences in prior 3 months		Average	17.34	1.20	5.37	11.20	17.04
		Median	14.80	1.00	4.63	12.22	16.87
		% Positive	100	67	75	92	100
All Periods Since 1982							
		Average		0.81	2.42	4.85	10.10
		% Positive		63	68	72	78

Source: Bespoke Investment Group

small cap stocks and sectors such as healthcare and financials. Over the last two years they have displayed depressed earnings levels and may be due to experience better times as the economy shows resilience, and the interest rate environment becomes more favorable.

Given the ebullient market environment it would be easy to throw caution to the wind. As long-time clients and readers know that is not our style. We will continue to study all aspects of the investment environment and commit your cash reserves as appropriate for

your investment objectives. Thank you for your patronage and please contact us directly with any of your questions or concerns.

Sincerely,



CJ Brott



Karen Burns



Andrew Kerai