NEXADVISORS

September 2024
NEX NEWS

Keen monthly insights on both the economy and the markets

THE ECONOMY

US economic headlines continued to be on the 'weaker than expected' side in August – a trend which has been in place for over six months now (as defined by Bloomberg's Economic Surprise Index).

This trend has become a worry for us, given the 3 mo. – 10 yr. yield curve remains in the deepest – and now nearing the longest – inversion in its history.

Numerous economists (and the Biden Administration) remain in the optimistic 'soft landing' camp, largely based on the resilient labor market. We're less certain however and believe it can be argued the chart of U3 is starting to show problems of its own.

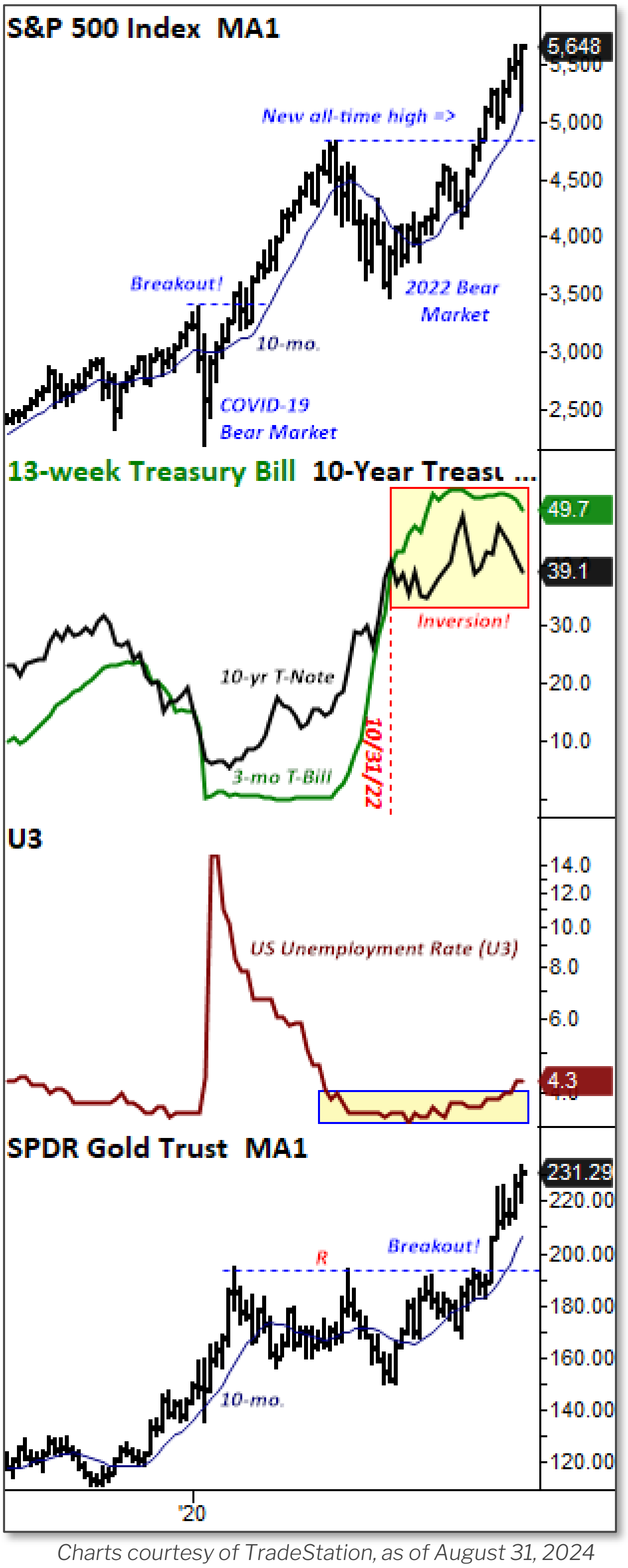
THE MARKETS

Stocks remained strong in August, with the S&P bouncing strongly off its 40-wk (10-mo) moving average. As noted last month however, we're not convinced the correction has run its course. The weakness seen in 10-yr. yields represents a meaningful change in market psychology, and we believe weak yields may be a headwind to stocks.

That being said, market internals remain strong. Typically, breadth and leadership diverge prior to major, cyclical, market tops, and the fact they remain firm suggests there are likely at least a few more innings left in this game.

Finally, gold again scored a new all-time high in August. It has historically been a good asset to own during both inflationary times and those of geopolitical instability, and it remains one of our favorite holdings given the current environment.

Mike Hurley, CMT
Chief Investment Officer



Charts courtesy of TradeStation, as of August 31, 2024

NEXADVISORS
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Traditional Strategies

We start our process with traditional, modern portfolio theory models, then adjust them based on our outlook. Specifically, we seek to:

1) Maintain higher cash levels when we're expecting a cyclical downturn, or 'bear' market
2) Add gold to portfolios during periods of inflation
3) Tilt fixed income positions based on credit conditions and the trends in interest rates

We offer Conservative, Moderate and Aggressive models, which use stock/bond ratios of 40/60, 60/40 & 80/20, as their starting points, respectively.

Adaptive Strategy

Our 'adaptive' model breaks from modern portfolio theory, based on the observation that markets typically become highly correlated when under stress.

This strategy applies momentum and risk parity to a universe of 10 ETFs, selecting a portfolio of 5. The portfolio is rebalanced monthly using the 60-day volatility to weight the top 5 ETFs. The goal being, to provide stock like returns with lower volatility.

About NexAdvisors

NexAdvisors is a privately owned, independent wealth manager located in Dallas, Texas, comprised of professionals with over 100 years of combined experience in the industry. We provide both traditional investment strategies along with forward-thinking approaches to help our clients meet their goals. Please visit www.nexadvisors.com or call us at 214-550-8350 to learn more.

NexAdvisors is a NexAnnuity company. NexAnnuity's mission is to develop and deliver solutions for modern retirement needs. Please visit www.nexannuity.com to learn more about NexAnnuity solutions.

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