NEX ADVISORS

October 2024
NEX NEWS

Keen monthly insights on both the economy and the markets

The Economy

As we turn the calendar to October, we can now officially label the inversion in the 3 mo. – 10 yr. yield curve as the longest – and deepest – in US history. These inversions are important as (our research shows) they both: a) define a very restrictive monetary policy by the Federal Reserve, and b) have a highly accurate track record of predicting recessions.

Should a recession begin to unfold, the first domino to fall is usually employment. Rising unemployment is not only a sign firms are under pressure, but it also clearly reduces the spending power of consumers as a whole. Next, company earnings typically suffer as a result, often causing stocks to fall into a bear market. While we're not there yet, this is why we are so keenly focused on jobs.

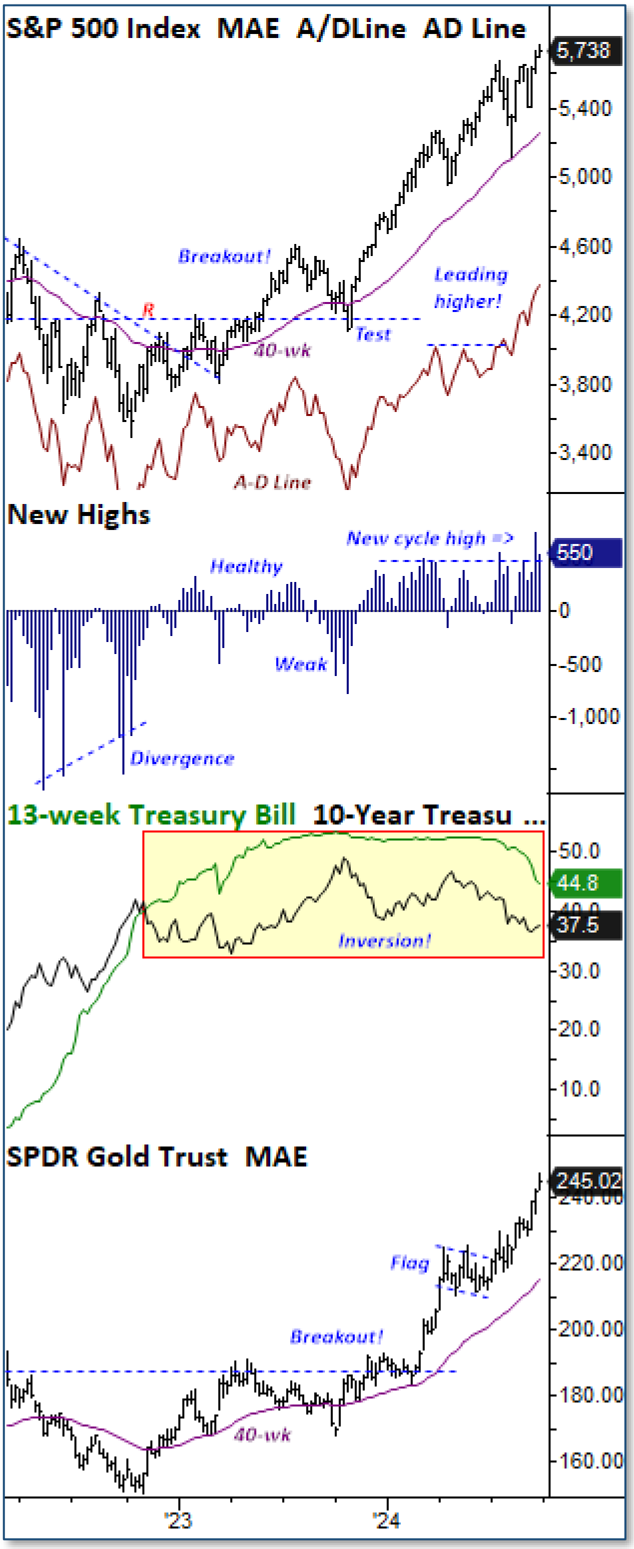
The Markets

Despite the concerning fundamentals, stocks continued to score new highs in Sep. – and in impressive fashion to boot! Market internals (i.e. breadth & leadership) remain quite strong, particularly given this is a 2-yr. old bull.

Specifically, the Advance-Decline Line is *leading* the market higher, while the NYSE saw the largest number of weekly Net New 52-Week Highs since December 2013! These indicators typically peak before the broad market indices, which suggests the bull market in stocks most likely has room on the upside from here.

Finally, also scoring a new all-time high in September was gold. While arguably extended over the short term, gold is in a strong uptrend longer term. It remains one of our favorite holdings, particularly given the bull market in global tensions under which we're all now suffering.

Mike Hurley, CMT
Chief Investment Officer



Charts courtesy of TradeStation, as of September 27, 2024

NEX ADVISORS
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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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