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MOMENTUM AND LIQUIDITY

It has been a few centuries since Newton and Descartes discovered ways to describe the motion of objects and their tendency to remain in motion. Momentum exists in the capital markets as well. What causes it to begin and end remains a bit more mysterious, but there is no question that the stock market has risen with very strong momentum especially in the so called ‘magnificent seven’ largest companies in the world. Consider the following events:

Three days before the second quarter ended, on June 27th, the world watched the President of the United States exhibit many characteristics of dementia on stage debating former President Donald Trump.

Two weeks later the Russell 2000 small cap index which had been moribund for months began a 6% rise. This is a fairly rare occurrence and has been a bullish signal in the past.

In the midst of this bullish rise, Donald Trump was nearly assassinated on Saturday, July 13th.

On the following Friday, the premier cyber security company caused an outage that disabled millions of computers and networks that shut down many businesses for extended periods of time.

Two weeks later, on another Friday when many people were on vacation, a slightly weaker than expected unemployment report that dominated our headlines was used, incorrectly in my view, to explain turmoil in Asian markets where the Yen rose dramatically from a record low level. That Monday the Japanese stock market fell 12%.

Given this turmoil it strikes me as remarkable that the S&P 500 remains at roughly the same level it ended the June quarter, up about 12% for the year. The stock market bottomed in October of ’22. The same month that the London Gilts crisis spooked the world’s central banks activating the Fed’s swap lines that backed up the Bank of England and the beleaguered UK pension system. Since then the world has seen a slow but steady rise in global liquidity. This is true according to international economist Michael Howell whose Global Liquidity Index measures the total activity of the world’s central banks. His liquidity measure has worked very well to explain the rise of the S&P 500 from that low point in ’22 when the S&P 500 was at 3583. It rose to 5615 in mid-July. That is a gain of nearly 57% in less than 2 years. Momentum has played at big role in this rise. So has liquidity; the two go hand in hand.

Howell’s thesis about liquidity did a good job anticipating the turn in stock prices. The Fed and the People’s Bank of China appear to be gradually adding liquidity. Even though the Fed has not yet moved interest rates. The actions of those two banks in the coming months will play a tremendous role in the progress of stock prices. The break in the Japanese stock market is a wild card that must be monitored. If it creates a contraction of credit, we will have to revisit this thesis, but no such contraction is evident in any other indicators at this writing.

In thinking about the many psychological pitfalls that lead to bad investment decisions, politics is surely the most frequent culprit followed close behind by taxes which might be a branch of the same tree. All year I have been afraid of the uncertainty that the election might bring to the capital markets, and yet the first half was quite robust. It appears we will have greater volatility in the second half, and yet the market's resilience in the face of massive uncertainty over the last two months is something I find encouraging. I remain bullish for stock prices into next year. There are still over 10% more job openings than people unemployed according to the most recent Fed data. Unemployment is still low at 4.3%. The Fed is signaling a growing openness to rate cuts if the economy weakens. Third quarter turbulence is not uncommon, but I believe the bull market remains intact.

About Our Team

The Good & Hopper Private Client Group brings extensive expertise in Wealth Management Services together with Portfolio Management and institutional capabilities of Oppenheimer & Co. Inc. Our office is located in the Stony Point section of the City of Richmond with close proximity to Henrico, Chesterfield and surrounding counties.

Our Wealth Planning Process

Our process starts with a comprehensive understanding of our client's unique financial situation. We gather all relevant information regarding your goals, concerns, assets, and estate plans. Next, we conduct a thorough analysis into your current financial condition and then provide a detailed wealth plan of action to help you address your goals. Our plan covers areas such as strategic asset allocation, savings rates, debt repayment, retirement income, charitable giving, and wealth transfer. Once a plan of action has been agreed upon we work with you and your other professional advisors every step.

Ward Good, CFA® CIMA®

Senior Director – Investments
Portfolio Manager, OMEGA Portfolio Management

Ward has advised wealthy individuals, endowments and trusts in Virginia for the past 35 years. The cornerstone of his process consists of valuation using discounted cash flow modeling: nevertheless, he believes that models are, at best, only representations of future events. As a result, he also emphasizes judgment based on qualitative factors. Ward manages individual portfolios using a combination of quantitative and qualitative measurement techniques. He is a firm believer that the value of any asset is the discounted present value of its future cash flows. He also believes in the creative destruction process whereby individual entrepreneurs can find ways to make money regardless, sometimes at the expense of entrenched interest. Risk management also plays a vital role in the investment process.

Ward consults each client regularly and continuously seeks to properly match each client's risk tolerance with his or her goals. He monitors all portfolios in an effort to find the proper balance among asset classes and within equity portfolios. His clients' all-equity portfolios contain a mix of stocks selected across capitalization ranges and growth rates, but always with an eye toward the companies' management and their ability to sustain their growth and replace their productive assets.

Before coming to Oppenheimer, Ward served as First Vice President at Scott & Stringfellow as well as at UBS Wealth Management.

He has been active in the Richmond financial community, serving on various not for profit boards. He is currently a Board Member of the Saint Michael's Episcopal School.

A graduate of Hampden-Sydney College, Ward earned a B.A. in English literature. He holds the Chartered Financial Analyst (CFA) designation from the CFA Institute and received the Certified Investment Management Analyst (CIMA)® designation from the Investment Management Consulting Association through coursework at the Wharton School of Business, the University of Pennsylvania.

He has four children and, in his spare time, exercise and reading historical fiction.

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John Hopper

Financial Advisor

John Hopper is a Financial Advisor at Oppenheimer & Co. Inc. (Oppenheimer) in the Richmond, Virginia office. John's clients include high-net-worth individuals, families, and their closely-held businesses. With over twenty years of experience, he works closely with CPAs, estate attorneys, business brokers, and others to address each client's unique needs, and prides himself on consistently delivering exceptional service.

He provides a comprehensive approach, which begins with listening to his clients 'needs and goals, and he aligns strategies with their objectives and risk tolerance. John's holistic, goals-based method is essential to the client-advisor relationship, which he deems essential for trust and success. He strongly believes in investing with a purpose to provide practical results. Additionally, John's team approach combines collaboration, knowledge, and adaptable investment strategies.

John graduated from Hampden-Sydney College with degrees in Economics and History. He holds FINRA Series 7 and 66 registrations, and he is licensed for life and health insurance in the state of Virginia. John is also a graduate of Lead Virginia, a renowned leadership program.

Drawing on his previous career as a banker, John is passionate about his service as a Board Member for Peter Paul, a non-profit, after-school enrichment program focused on Richmond's East End families. John is a past president of his college's national alumni association and is also a certified Virginia High School League lacrosse referee. In his spare time, John enjoys golfing, snow skiing, and all things lacrosse. John grew up in the rural Tidewater area of Virginia and resides in Richmond with his wife and three children.

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Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Risk Factors: Special Risks of Foreign Securities - Investments in foreign securities are affected by risk factors generally not thought to be present in the US. The factors include, but are not limited to,the following: less public information about issuers of foreign securities and less governmental regulation and supervision over the issuance and trading of securities.

Special Risks of Small and Mid Capitalization Companies may include being: 1) more recently formed than larger companies and may have limited product lines, distribution channels and financial and managerial resources. 2) may not be well known to the investing public 3)may not have significant institutional ownership and 4) may have cyclical, static or moderate growth prospects. 5) often less publicly available information, making it more difficult for the Portfolio Manager to analyze the value of the company.The equity securities of small and mid capitalization companies may be subject to liquidity risk, or narrow trading consequently, the Portfolio Manager may be required to sell these securities over a longer period of time (and potentially at less favorable prices and under volatile conditions)

Special Risks of Fixed Income Securities include risk that the price of these securities will go down as interest rates rise,and credit risk, which is the risk that an issuer of a bond will not be able to make principal and interest payments on time.

Exchange Traded Funds: Exchange Traded Funds (ETFs) are baskets of securities that are traded like a stock on an exchange, and may come concentrated in various styles or sectors, subject to similar risks that the underlying securities would normally face as individual stocks. . Returns may fluctuate and are subject to volatility Foreign investments have unique and greater risks than domestic investments. All ETFs are passively managed and generally have lower management fees and operating expenses than actively managed funds. ETF returns are adjusted to reflect all actual ongoing ETF fund expenses and assume reinvestment of dividends and capital gains.

INVESTORS SHOULD CAREFULLY CONSIDER THE INVESTMENT OBJECTIVES, RISKS AND CHARGES AND EXPENSES OF A FUND OR ETF BEFORE INVESTING; THE PROSPECTUS FOR A FUND OR ETF, WHICH MAY BE OBTAINED FROM YOUR FINANCIAL ADVISOR, CONTAINS THIS AND OTHER INFORMATION. PLEASE READ THE PROSPECTUS CAREFULLY BEFORE INVESTING.

High Yield Funds: Generally, investments offering potential for higher returns are accompanied by a higher degree of risk. High yield, lower-rated (junk) bonds generally have greater price swings and higher default risks.

The Omega Group is a program through Oppenheimer & Co.Inc. It offers a managed money program in which experienced Financial Advisors act as portfolio managers for their clients. Clients will pay an advisory fee on a quarterly basis and will pay no commissions or additional charges for transactions. Adopting a fee based account program may not be suitable for all investors; anticipated commission costs should be compared with anticipated annual fees. Please refer to the Oppenheimer ADV Part II for information about the advisory program described herein, including program fee schedules and other fees that may apply. The Oppenheimer ADV Part II is available from your Oppenheimer Financial Advisor. Oppenheimer & Co. Inc. and its affiliates does not provide legal or tax advice.

The success of an investment program may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of a portfolio's investments.Unexpected volatility or illiquidity could result in losses. Investing in securities is speculative and entails risk. There can be no assurance that the investment objectives will be achieved or that an investment strategy will be successful.

The Standard and Poor's (S&P) 500 Index is an unmanaged index that tracks the performance of 500 widely held, large-capitalization U.S. stocks. Individuals cannot invest directly in an index.

The Relative Strength Index (RSI), developed by J. Welles Wilder, is a momentum oscillator that measures the speed and change of price movements. The RSI oscillates between zero and 100. Traditionally the RSI is considered overbought when above 70 and oversold when below 30. Signals can be generated by looking for divergences and failure swings. RSI can also be used to identify the general trend.

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