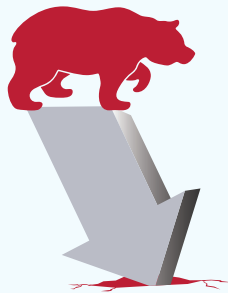




## Fall Harvesting

Many investors believe selling stocks with embedded losses is a good tax strategy. While the S&P 500 has delivered strong returns year-to-date (YTD) as of October 2024, there are still quite a few stocks within the index with negative YTD returns. With many investors following this strategy, could battered-down stocks provide an attractive entry point to prudent investors just as others are selling?

### Historical Outperformance of Tax Loss Candidates



**From 1986 to 2023, Tax Loss Candidate (TLC) stocks were down more than 10% from January through October in a calendar year.**



**TLC stocks have historically outperformed by an average 1.9% over the following three months of November through January.**

Source: Bank of America Global Research. Analysis conducted from January 1986 through January 2024 shows that S&P 500 stocks which were down over 10% from January through October in a calendar year (termed as Tax Loss Candidates), exhibited relative outperformance when held from November through January.

- Investors often harvest equity losses for tax purposes at the end of the year. Mutual funds typically sell before October 31<sup>st</sup> (the deadline for most to realize capital gains) and retail investors by December 31<sup>st</sup>.
- As the graphic shows, stocks that are tax loss candidates (TLCs) - or those down more than 10% in a calendar year through October - have historically outperformed the stock market from November through January by an average of 1.9% (since January 1986 through January 2024, according to analysis from Bank of America).
- With over seventy stocks in the S&P 500 Index down more than 10% this year, we believe there may be notable selling at a tax loss. This dynamic may create a buying opportunity for TLCs, due to their potential disconnect from company fundamentals. While past performance is not indicative of future performance, battered-down stocks that have compelling long-term growth prospects may offer compelling returns in the months ahead.

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Tax Loss Candidates, defined by Bank of America Securities, are stocks within the S&P 500 that are down 10% or more from January 1 – October 31 in a calendar year.

The following positions represent firm wide assets under management as of August 30, 2024: Bank of America Corp, 0.04%.

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