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SECOND QUARTER 2024 NEWSLETTER

Off to the Races

Equities emerged fast out of the starting gate in Q1, posting the 12th strongest quarter in the last 80 years.

AI enthusiasm has been leading the charge. While skeptics assert that the market may be ahead of itself, other observers express that mega cap tech is the leader for a reason: growth in revenues, margins, and earnings that far exceed the S&P 500.

A look beneath the surface reveals broader participation beyond technology. As an example, financials and consumer staples concluded 5 consecutive months of gains through March.

The *Magnificent Seven* has evolved into *The Fab Four* as Alphabet, Apple and Tesla have struggled while Amazon, Meta, Microsoft, and Nvidia continue to fly high.

Short rates were little changed, however, Treasury yields moved higher across most points on the curve.

Review of Previous Quarters:

	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>03/31/2023</u>	<u>QTD Change as of 03/31/2023</u>	<u>YTD Change as of 03/31/2023</u>
S&P 500	3,839.50	4,799.83	5,254.35	+10.16%	+10.16%
Dow	33,147.25	37,689.54	39,807.37	+5.62%	+5.62%
NASDAQ Composite	10,466.48	15,001.35	16,379.46	+9.11%	+9.11%
Russell 2000	1,761.25	2,027.07	2,124.55	+4.81%	+4.81%
MSCI EAFE	1,943.92	2,237.81	2,346.84	+4.87%	+4.87%
10-Year Treasury Note	3.87%	3.88%	4.21%	+33 basis points	+33 basis points
3-Month T-Bill Rate	4.30%	5.36%	5.36%	unchanged	unchanged
Price of Gold (COMEX)	\$1,829.70	\$2,071.80	\$2,254.80	+8.83%	+8.83%
Crude Oil (NYMEX)	\$80.41	\$71.33	\$83.12	+16.53%	+16.53%
US Dollar Index	103.48	101.38	\$104.49	+3.07%	+3.07%

Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

- A **basis point** is 1/100th of one percentage point.
- **Treasury Bills** are certificates reflecting short-term (under one year) obligations of the U.S. government.
- **Treasury Notes** are marketable U.S. government debt securities with a fixed interest rate and a maturity between one and ten years.
- The **S&P 500** is an unmanaged index of 500 widely held stocks that's generally considered representative of the U.S. stock market.
- The **NASDAQ composite** is an unmanaged index of securities traded on the NASDAQ system.
- The **Russell 2000** is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index.
- The **Dow Jones Industrial Average (DJIA)** commonly known as "the dow" is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal.
- The **MSCI Europe, Australasia and Far East Index** is a market capitalization weighted selection of stocks from 21 developed nations excluding the US and Canada.
- The **US Dollar Index** measures the value of the U.S. dollar relative to a basket of top 6 currencies: EUR, JPY, GBP, CHF, CAD and SEK.

Expectations for the US Economy

The bright folks at *Kiplinger* are impressed by a resilient US economy and have revised their forecast for 2024 GDP growth up to 2.5% from 1.7% previously. This equals US GDP growth in 2023.

They see inflation declining gradually throughout the year to a level of 2.6%.

The unemployment rate is expected at 4%, a very slight increase from 3.9% currently.

Given the strength in the economy, rate cuts by the Fed are not anticipated before summer.

One thing to watch for is a potential shift by the Fed as far as shrinking its massive balance sheet, which resulted from Quantitative Easing (QE) in response to the financial crisis. This process, called Quantitative Tightening, results from the Fed allowing \$95 billion of Treasuries and mortgage-backed securities to roll off its balance sheet each month. Slowing this process down would be an easing action. We may learn more on this at the Fed's policymaking meeting on May 1.

Market Commentary

The stock market has experienced a significant rally since October. At this juncture the market looks a little expensive when we compare share prices to expected earnings.

As we have observed over time, the market does not move exclusively in one direction. The value of the stock market tends to ebb and flow. It is natural for the market to experience corrections. A useful statistic to be aware of is that the S&P 500 has experienced an average intra-year drop of 14.2% when we look back over the last 44 years. Interestingly, the market finished in positive territory in 33 of those 44 years (75% of the time). A correction would not be surprising given that the market has moved so far so fast in recent months.

The following are sentiments expressed by one of our favorite market strategists. Stocks do look expensive but sometimes remain “overvalued” for long periods of time. Secular bull markets tend to last for many years. His hunch is that this bull has years left to run. The market may be a little ahead of itself because the market has priced in more interest rate cuts from the Fed than are likely to happen. He believes the Fed will be very judicious with rate cuts.

He would not be surprised by some corrective activity in the markets but believes that pullbacks in a bull market are for buying, not for selling.

Both taxable bonds and tax-advantaged municipal bonds continue to offer value and diversification. Bonds of intermediate duration will benefit from price appreciation should interest rates fall whereas money market and short-term CD’s will simply adjust to lower prevailing rates. The yields at the short end of the curve are likely to react quickly when the Fed begins to ease in earnest. It is often a great approach to ladder maturities across the curve.

Please no FOMO!

We wish to reassure those afraid of missing out on Nvidia, Microsoft, Amazon, Meta etc. You have almost certainly not missed out! The names mentioned are all among the top 10 companies in the S&P 500. It would be almost impossible for any US large cap growth fund not to have substantial exposure to this group. If you own mutual funds, you have almost certainly participated in the success of these companies, and we caution against chasing these shares at sky high valuations.

Investment Wisdom – *much of this should sound familiar!*

At MCM we respect the unknown and strive to build portfolios which balance the management of near-term challenges while positioning our clients for long-term success.

We follow our investment regimen and guard against overconfidence. We are open to new information and are willing to “adjust the sails” as conditions change.

In large part, however, we wish to be among the few disciplined enough to maintain a well-conceived portfolio through a variety of market conditions. The ability to stay calm and resist decisions based on emotion can be a key to success.

Patience is perhaps the most important quality exhibited by successful investors. In the short-term markets fluctuate greatly driven by emotion. In the long-term markets rise driven by the true value of underlying businesses.

For most of us, our investment time horizon is the rest of our lives and portfolios should be constructed accordingly. Liquidity and cash flow needs must be addressed from the outset. Beyond that a well-conceived mix of bonds and stocks provides the potential for achieving adequate returns to accomplish long-term goals while dampening the effects of short-term volatility.

We are the masters of our own destiny. In large part, our future success depends on our ability to stay the course with a sound long-term plan.

Community Spotlight:



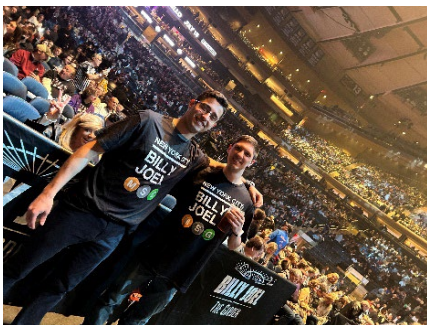
A wonderful opportunity to support fresh, local produce, and education for our community on healthy eating and environmental stewardship! The evening begins with a brief tango lesson from renowned instructor, Juan Alessandrini, followed by more dancing, small plates, and refreshments. Beenie's Ice Cream will be serving their incredible tomato basil ice cream!

Specifically, this event will help fund the **Grow it Green Morristown** summer internship program for high school students at The Urban Farm in Morristown. Advance tickets are only \$40!

Click here to buy your tickets: e.givesmart.com/events/Big/?isOrderFormActive=true

A little bit more about **Grow it Green Morristown**. **GIGM** is celebrating its 15th year of promoting community health through urban agriculture, discovery-based learning, and equitable food access. You can see **GIGM** in action at the Early Street Community Garden and The Urban Farm in Morristown, the Greenhouse at St. Elizabeth University, and the Winter Farmers Market at the Convent Train Station on Sundays from December through April.

MCM Notes



[Orlando and Giovanni at Billy Joel](#)

Congratulations to **Orlando** on passing his CFP final exam (Certified Financial Planner)! As a celebratory gift to himself Orlando and his friend, Giovanni, checked off a bucket list item to see Billy Joel live at the Garden! Orlando is excited to emerge from his study den at The Morristown Library and smell the roses that will soon be in bloom. He is ready to get outdoors and pursue his twin passions of pickleball and golf. Nice going!

Dan escaped the winter cold in New Jersey and traded up for a weekend in Aruba. *One Happy Island* certainly lived up to its name as given the picturesque Caribbean beaches, delicious local cuisine, and fun tourist activities. Dan recommends adding Aruba to your vacation list and making your way inland to enjoy the exquisite fare at Madame Janet!



[Dan's "View from the Office"](#)



Kerry managed two winter escapes in recent months, visiting friends, relatives, and clients in southwest Florida and on Hilton Head Island. Both trips afforded her the opportunity to chase the little white ball around the golf course. Much of her free time in New Jersey is spent as a devoted hockey mom to son Gavin. Gavin, soon to be 10, has developed a keen interest in the sport and recorded multiple hat tricks this winter!

[Kerry & Husband Garrett Hit the Links](#)

Not one to be left out in the cold, **Bob** traveled to New Orleans in February to attend the Raymond James Portfolio Management Group Annual Symposium. Topics included the upcoming presidential election, the state of the US economy and updated insights on equity and fixed income markets.



[Bob & Bill at Frances Tavern](#)



[Bill at Grow it Green Winter Market](#)

It was a busy first quarter for **Bill** as he ramped up his involvement as a board member at Cornerstone Family Programs & Morristown Neighborhood House and Grow it Green Morristown. He has also been quite active with the Morristown Rotary Club and the Knights of Columbus. Bill finds tremendous enjoyment from the friendships that develop and the satisfaction that comes from giving back to our community.

Mark your Calendar!

The annual **MCM Client Appreciation Happy Hour** will be on **Wednesday, June 12** at The Park Avenue Club. Don't miss out on the fun! Details to follow.

Our practice continues to grow, in large part from referrals from our valued clients. We would be honored to take care of a friend, colleague, or family member in the same fashion we have served you.

Thank you for your continued trust and support.

Sincerely,



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Registered Principal, RJFS



Robert J. Burke
Vice President, Mendham Capital Management
Investment Consultant, RJFS



Kerry Mellott
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