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FIRST QUARTER 2024 NEWSLETTER

Seasons Change

A sorrowful summer morphed into an amazing autumn as economic indicators revealed moderating inflation and the Fed signaled an about face on monetary policy.

Thus ended 22 months of Fed induced rate hike misery for both stocks and bonds.

The S&P 500 rallied from a level of 4,117 on October 27 to 4,770 at year-end, an increase of 15.9%. Commensurately, a powerful rise in bond prices took the rate on the 10-year Treasury from 5% in October all the way down to 3.88%.

The Dow and the Russell 2000 took part in the Q4 extravaganza after lagging the *Magnificent Seven* propelled S&P 500 throughout the year. (Amazon, Apple, Microsoft, Google, Meta, Tesla, and Nvidia)

A recent slackening in oil demand growth saw prices soften sharply while gold prices firmed as the *barbarous relic* closed above \$2,000 an ounce.

Review of Previous Quarters:

	<u>12/31/2022</u>	<u>09/30/2023</u>	<u>12/31/2023</u>	<u>QTD Change</u> as of <u>12/31/2023</u>	<u>YTD Change</u> as of <u>12/31/2023</u>
S&P 500	3,839.50	4,288.05	4,799.83	+11.24%	+24.23%
Dow	33,147.25	33,507.50	37,689.54	+12.48%	+13.70%
NASDAQ Composite	10,466.48	13,219.32	15,001.35	+13.56%	+43.42%
Russell 2000	1,761.25	1,794.30	2,027.07	+12.97%	+15.09%
MSCI EAFE	1,943.92	2,031.26	2,237.81	+10.17%	+15.12%
10-Year Treasury Note	3.87%	4.59%	3.88%	-71 basis points	+1 basis point
3-Month T-Bill Rate	4.30%	5.55%	5.36%	-19 basis points	+106 basis points
Price of Gold (COMEX)	\$1,829.70	\$1,848.82	\$2,071.80	+12.06%	+13.23%
Crude Oil (NYMEX)	\$80.41	\$90.79	\$71.33	-21.43%	-11.29%
US Dollar Index	103.48	106.17	101.38	-4.51%	-2.03%

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.

A Look Back at 2023

The year must be considered a success, especially considering the gloom heading into it. The consensus opinion called for recession, and it was dead wrong! When the books finally close, 2023 GDP growth may well approach 2.5%.

It was going to be a disastrous year for stocks as recession ravaged the economy and decimated corporate profits. Instead, a resilient economy set the stage for a resounding rally as interest rate expectations reset in Q4.

As longstanding observers, our best advice is to beware of consensus and take the pronouncements of telegenic pundits with a grain of salt.

In the words of Yankee great Yogi Berra "it is difficult to make predictions, especially about the future."

Thoughts on the US Economy

Kiplinger expects the US economy to dodge recession this year barring any unforeseen shocks to the system. They anticipate GDP growth will slow from 2.5% to 1.7% as higher interest rates weigh on consumers.

Expectations are for continued progress against inflation with CPI falling below 3% in Q1 and finishing at 2.7% for the year.

They see unemployment peaking at 4.2% in 2024, up from 3.9% today.

Easing inflation may pave the way for rate cuts perhaps as soon as May, provided the Fed is certain inflation is really coming down.

Investment Wisdom

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 sit tight with a well-conceived portfolio through adverse market conditions. The ability to stay calm and resist decisions based on emotion can be a key to success.

Market action in 2023 reinforces these principles as the sharp selloff in both stocks and bonds in Q3 was followed by a furious Q4 rally.

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.

A Look Ahead: Risks and Opportunities in 2024

The long-term charts have turned positive as we enter 2024, however, we must be prepared for some market consolidation after the dramatic fourth quarter rally.

Expectations have changed suggesting the bar may be a little higher for market moving catalysts.

Positives include ample cash on the sidelines to provide fuel for the markets and the anticipated acceleration in corporate earnings growth in the next twelve months.

The backdrop of a presidential election year has typically been favorable as incumbents’ seeking reelection implement wallet friendly policies.

We’ll be monitoring geopolitical events as well. Wars in Ukraine and the Middle East rage on. Taiwanese elections take place on January 13. The outcome and ensuing drama with China are sure to be in the news.

High quality dividend paying companies left in the dust by the *Magnificent Seven* last year may enjoy their day in the sun this year.

We'll continue to be attentive and thoughtful about your investments.

Community Spotlight: Grow it Green Morristown!

Have you heard about Grow it Green Morristown? An amazing organization which operates the Early Street Community Garden, educates young people on healthy nutrition, provides internship opportunities for teens, partners with other outstanding non-profits such as Neighborhood House and sponsors a delightful and delicious **Winter Market at the Convent Train Station on Sundays from December through April from 9:30am – 1pm.**

MCM is pitching in by underwriting the month of February. Please come and join us for great food, good cheer, and some winter fun in support of our community!



MCM Notes



[Wekiwa Spring in Orlando, FL](#)

Ever the Renaissance man, **Orlando** engaged in a wide variety of pursuits throughout the quarter. A November business/fun trip to Florida launched Orlando on a Wekiwa Springs adventure with brother, Christian. Enjoyable holidays with CT based family included an NYC adventure to take in *MJ: The Musical* on Broadway. All the while he has been grinding on his CFP exam preparation which is now reached its final months. Finally, a New Year's trip to Okemo offered an opportunity to conquer the icy slopes.

Dan's holiday season was filled with joy, highlighted by the memorable wedding of high school friends, Erick and Nicole. The Randolph HS classmates' table (pictured here) dominated the dance floor in exuberant celebration! Dan welcomed parents, Dave and Mary, back to NJ from scenic Hilton Head for the Christmas holiday. He looks forward to visiting them in HHI this winter for family fun and golf on the superb island links.



[Dan & Friends at Erick & Nicole's Wedding](#)



Baby Leo!

Drum roll please... As promised, we have news of the blessed event! It's official, **Kerry** is now the most youthful grandmother in the USA! Leo Devuyt was born on October 22. Stepdaughter, Jenna, and husband, Bob, are thrilled and Kerry is over the moon! In addition to snuggling and babysitting, Kerry still finds time to assist widows and women in transition, empower women investors in general and provide outstanding service to all MCM clients!

It was a November and December to remember for **Bob** and wife, Maureen. The consummate hosts, Bob and Maureen hosted large family gatherings on both Thanksgiving and Christmas Eve. Their home is warm and inviting and Maureen is a master of culinary delicacies. In between the two parties, the proud parents celebrated the graduation of son, Matt, from Miami University (Ohio). The whole family was able to travel to Oxford, OH for a grand celebration.



Bob & Maureen at Matt's Graduation



Bill's Feline Companion, Daisy!

An eventful fourth quarter for **Bill** included a family wedding in Cape May, and several enjoyable volunteer activities with the Knights of Columbus, Oratory Prep School, and Mayo Performing Arts Center. The capstone was wonderful family time at the holidays with relatives of the feline, canine and human variety!

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,

William F. Burke, Jr.
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Registered Principal, RJFS

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

Kerry Mellott
Vice President, Mendham Capital Management
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