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## FIRST QUARTER 2025 NEWSLETTER

### Optimism & Reality

The decisive victory by President Trump fueled a dramatic early November stock market rally as pre-election uncertainty was replaced with visions of lower tax rates, a less burdensome regulatory environment, and a business-friendly climate.

Enthusiasm moderated as year-end approached as investors took note of a complex 2025 environment with issues such as trade/tariffs, immigration, rising debt levels, the potential for a higher for longer rate environment, and geopolitical tensions. Santa Claus was notably absent on Broad & Wall over the holidays.

When all was said and done, 2024 proved to be another outstanding year for stocks, particularly those of the growth and “Magnificent Seven” variety. (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla). The Dow posted solidly positive but less robust gains while non-US issues continued to struggle.

### Review of Previous Quarters:

	<u>12/31/2023</u>	<u>09/30/2024</u>	<u>12/31/2024</u>	<u>QTD Change</u> as of <u>12/31/2024</u>	<u>YTD Change</u> as of <u>12/31/2024</u>
S&P 500	4,769.83	5,762.48	5,881.63	+2.07%	+23.31%
Dow	37,689.54	42,330.15	42,544.22	+51%	+12.88%
NASDAQ Composite	15,011.35	18,189.17	19,310.79	+6.17%	+28.64%
Russell 2000	2,027.07	2,229.97	2,233.86	+1.17%	+10.20%
MSCI EAFE	2,237.81	2,468.66	2,261.05	-8.41%	+1.04%
10-Year Treasury Note	3.88%	3.75%	4.58%	+83 basis points	+70 basis points
3-Month T-Bill Rate	5.36%	4.60%	4.32%	-28 basis points	-104 basis points
Price of Gold (COMEX)	\$2,071.80	\$2,672.10	\$2,637.70	-1.29%	+27.31%
Crude Oil (NYMEX)	\$71.33	\$67.63	\$71.78	+6.14%	+6.3%
US Dollar Index	101.38	101.12	108.43	+7.23%	+6.95%

*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.

Bonds sold off, as reflected by the yield increase of the 10-year Treasury above. The Treasury yield curve is now positively sloped in marked contrast to the levels one year ago.

## The Economic Outlook

It is anticipated that 2025 will mark the fifth consecutive year of positive GDP growth. Kiplinger sees 2024 GDP growth finishing at 2.8% and predicts 2.4% growth in 2025.

US consumers are benefitting from Fed rate cuts and appear in good shape for the year ahead. Job growth remains strong such that modest improvement in the unemployment rate is forecast for this time next year.

Inflation may prove rather sticky with Kiplinger estimating headline inflation at 3.0% at year-end 2025 versus 2.7% today.

## Bond Market Commentary

Both the markets and the Fed are predicting fewer rate cuts in 2025 than originally anticipated.

Among the reasons for this are the strong economy, stubborn inflation, and unprecedented deficit spending by our government in a peacetime, low unemployment environment.

Several proposed initiatives by the new administration including tariffs, border security, defense spending, and tax policy may also hinder the Fed's quest to quell inflation.

In our view there are attractive opportunities in the short to intermediate points along the curve. Short rates may well settle in the 4% vicinity with 4.5% plus available in intermediate maturities.

Investors will continue to benefit from tax-advantaged municipal bonds which remain appealing versus Treasuries for those in higher tax brackets.

## Equity Market Commentary

2024 was the first time since 1997-1998 that the S&P 500 delivered returns more than 20% in back-to-back years.

Not only did stocks deliver great returns, but they did so with minimal volatility. The biggest intra-year decline was 8% as compared to a long-term average intra-year decline of 14.1%.

The market did rely heavily on the Magnificent Seven which accounted for 55% of the S&P 500 return. Some might argue that this outperformance is justified by the 21% earnings growth delivered by the “Mag 7” which far exceeded the growth delivered by the rest of the market.

We enter 2025 with the Mag 7 names trading at a forward P/E (price/earnings) ratio of 29.8 while the remaining 493 clock in at 18.2 times forward earnings.

Stocks have been supported by a robust economy, moderating inflation, and Fed interest rate cuts.

As indicated above, we do anticipate challenges and uncertainty as the new year unfolds. It would be unrealistic to expect volatility to remain so low.

On balance, we maintain a cautiously optimistic point of view. We’ll stay closely tuned to economics, policy, and market action in coming months.

The bullish long-term chart pattern suggests this lengthy bull market deserves the benefit of the doubt.

## **Our Common Goals**

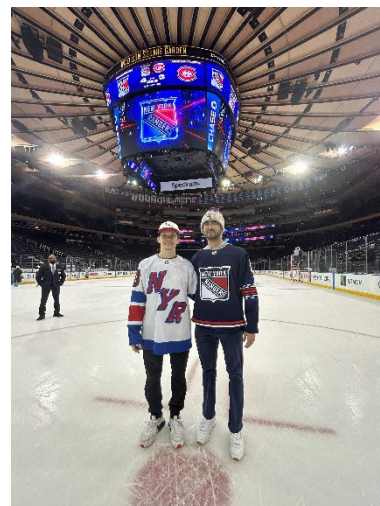
The key to our success is to earn sufficient returns to achieve your long-term goals consistent with a level of portfolio volatility which allows you to stay the course in challenging markets.

It is wise to remember that there is a difference between volatility and permanent loss of capital. Stock prices may be volatile in the short run; however, the likelihood of investment success is very high for those with an appropriate time horizon who follow an intelligent, disciplined plan.

At MCM, we consider the impact of inflation and taxes to be the true impediments to our desired outcome. Inflation eats away at our purchasing power and makes us poorer over time if we fail to own a mix of investments whose returns can outpace the increase in the cost of living.

## **Community Spotlight & MCM Notes**

**Orlando** enjoyed the holiday season spending time with his family in Guilford, CT and capping it off with a short trip up to the Poconos to relax and reset for the New Year! This fall he ramped up his community involvement by joining the **Cancer Hope Network Young Professionals Advisory Committee**. He cut the rug at the annual gala and chaired a most successful Halloween Mixer. Recently Orlando has enjoyed shows at the Mayo Performing Arts Center including the Nutcracker and the Greatest Piano Men. When not working, volunteering, or exercising, Orlando cheers for sister, Miabella, a starter on the Drew University women's basketball team, and travels to Madison Square Garden to support his beloved New York Rangers!



We're thrilled to share some personal news—**Dan** recently got engaged to longtime girlfriend, Erica Metz! The proposal took place in the heart of Morristown, on the picturesque Green, beautifully decorated for the holiday season. It was a special and long-awaited moment for them, and they are both excited to begin this new chapter together!

**Kerry** was excited to attend the **30<sup>th</sup> Annual Raymond James Women's Symposium** in Tampa. She is always energized by collaborating with peers and sharing ideas with savvy women advisors from around the country. She followed up by visiting the *Fearless Girl* sculpture when the Mendham Capital team ventured to NYC for our annual holiday card photo. Kerry continues her passion to educate and empower female clients and prospects. Kerry and family enjoyed a nice holiday season at home, and of course, plenty of hockey for son, Gavin.



**Bob** continues to be active with the **Morristown Rotary Club**. The fall he volunteered to assist in a **Petals for Progress** project which succeeded in collecting and packing 145 used bicycles from our community to be shipped to



motivated individuals in developing countries to empower sustainable economic development. Bob and wife, Maureen, were delighted to have all three children home for Christmas; James from Boston, Erin from Charlotte, and Matt who is still local.

Autumn was a season of non-profit fundraisers for **Bill**. In early October Bill chaired the annual **Knights of Columbus George Washington Council Mass and Dinner of Appreciation**. This year's honoree was Morristown icon, Kathleen Hyland, who was recognized for her tireless devotion to ArcMorris and its mission to enhance the lives of individuals with intellectual and developmental disabilities. A beautiful mass at Assumption parish, celebrated by the Bishop of Paterson, was followed by a lovely celebration at Spring Brook Country Club. The event was a financial success and is key to funding the Knights charitable activities throughout the year. Next was the **Grow it Green Morristown 15<sup>th</sup> Anniversary Gala**. Another great success! GIGM creates farms and gardens to provide equal access to fresh, local food and educate communities on healthy eating and environmental stewardship.

### More Photos



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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