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FOURTH QUARTER 2023 NEWSLETTER

Dog Days of Summer

Stock and bond prices both withered in the blistering summer heat as a hawkish Fed promised rates higher for longer as the inflation fight rages on.

Even the 11.68% YTD gain for the S&P 500 is misleading as a handful of high-tech heavyweights have accounted for all the results.

High quality, dividend paying companies have lagged as evidenced by the modest returns posted by the Dow. Dividend growers have long been a linchpin in the equity markets such that we see this as an area of opportunity going forward.

Lower bond prices translate to more attractive yields for fixed-income investors. Thus far in 2023, higher coupons have mostly negated the decline in prices. As the economy faces additional headwinds, however, we can begin to envision an environment where bond investors might clip attractive coupons and enjoy price appreciation.

Oil prices soared in Q3 as demand remained strong while Russia and OPEC extended supply cuts.

Review of Previous Quarters:

	<u>12/31/2022</u>	<u>06/30/2023</u>	<u>09/30/2023</u>	<u>QTD Change</u> as of <u>09/30/2023</u>	<u>YTD Change</u> as of <u>09/30/2023</u>
S&P 500	3,839.50	4,450.38	4,288.05	-3.65%	+11.68%
Dow	33,147.25	34,407.60	33,507.50	+0.30%	+1.09%
NASDAQ Composite	10,466.48	13,787.92	13,219.32	-4.12%	+26.30%
Russell 2000	1,761.25	1,888.73	1,794.30	-5%	+1.88%
MSCI EAFE	1,943.92	2,131.72	2,031.26	-4.71%	+4.49%
10-Year Treasury Note	3.87%	3.85%	4.59%	+74 basis points	+72 basis points
3-Month T-Bill Rate	4.30%	5.32%	5.55%	+23 basis points	+125 basis points
Price of Gold (COMEX)	\$1,829.70	\$1,929.42	\$1,848.82	-4.18%	+1.04%
Crude Oil (NYMEX)	\$80.41	\$70.64	\$90.79	+28.52%	+12.91%
US Dollar Index	103.48	102.91	106.17	+3.17	+2.60%

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.

Government Shutdown?

We are writing this newsletter amid a congressional donnybrook over spending cuts and the passage of spending bills to fund the government.

At the eleventh-hour Congress passed, and President Biden signed into law, a measure that extends government funding until November 17, which becomes the new deadline in this ongoing drama.

House Speaker, Kevin McCarthy, was forced to rely on Democratic support to pass the bill as the hard right flank of the Republican party opposed any short-term funding measure. This action cost him the speakership as Democrats joined with eight right-wing Republicans voting to oust McCarthy from leadership of the House.

Please note that the current squabble differs from the debt ceiling debate concluded in May.

Even in the event of a shutdown Social Security checks and other benefit payments would have gone out. The mail would still be delivered, and essential government workers would have kept working. Non-essential workers would have been furloughed impacting a variety of services including our national parks.

The House of Representatives is effectively paralyzed until a new speaker is chosen.

We see American political dysfunction as a key risk factor to continued prosperity and US global leadership.

The State of the Economy

The Federal Reserve raised the Federal Funds Rate, which guides overnight lending among US banks, on July 26 for the 11th time since March of 2022 to a level of 5.25 - 5.5%. After leaving Fed Funds unchanged in September, there remains the potential for another rate hike before year-end.

This is all part of an effort to slow the economy and tame rampant inflation, which peaked at 9.1% in June of last year. The rate of inflation currently stands at 3.7% and is forecast by *Kiplinger* to decline to 2.7% in 2024.

Despite the headwinds of higher borrowing costs, the US economy is expected to grow at an annualized rate of 4% in Q3 2023. *Kiplinger* sees growth slowing to 2.2% for full year 2023 and 1.3% for 2024 as higher rates ultimately have an impact.

The labor market remains remarkably strong. The unemployment rate is just 3.8% now. The *Kiplinger* forecast is for unemployment to peak at 4.2% in 2024.

We see organized labor flexing its muscles given tight labor conditions with Hollywood writers, actors and the United Auto Workers all engaging in work stoppages. Workers are seeking protection versus advances in technology such as AI and higher wages in the face of the rising cost of living.

The US economy has demonstrated amazing resilience; however, we anticipate that higher rates, tighter credit, slowing job growth, rising expenses, and diminishing savings will ultimately take their toll.

Economists cite the potential impact of the sharp drop in the M2 measure of the money supply from mid-2022 through early 2023. This is essentially a gauge of the cash available in the economy. A resulting pullback in consumer spending poses a clear threat to future growth. Hence the myriad of forecasts of a mild recession sometime in 2024.

Navigating Uncertainty

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.

There are always a few clouds on the investment horizon and the crystal ball is invariably hazy.

None of these are reasons not to invest but rather are reasons to be invested in a well-conceived portfolio in tune with your goals and time horizon.

Both stocks and bonds have demonstrated attractive investment results over the long run, but also experience periods of downside volatility as witnessed in Q3.

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.

Fourth Quarter Planning Opportunities

At MCM we will be proactive on the following items but please feel free to touch base with us on any questions you may have.

- Medicare Open Enrollment runs from October 15 – December 7. A great opportunity to review supplemental and prescription plan choices.
- IRA Required Minimum Distributions must be completed by December 31 for those 73 and over.
- A time to focus on year-end tax planning considerations.
- Review and complete any charitable and family gifting plans.

MCM Notes



The **MCM Team** had a fun-filled evening participating in the 16th Annual Bowl-A-Thon raising money for children's programs at **Cornerstone Family Programs and Morristown Neighborhood House**. There are few things better than enjoying networking, pizza, and cocktails with friends and colleagues in support of a wonderful cause!

Cornerstone Family Programs Bowl-A-Thon

Orlando kicked off Q3 with a trip to Italy with his mother and brother. Destinations included both Rome and the amazing Amalfi Coast. Upon returning to Morristown, he had the opportunity to enjoy a Pink Floyd tribute at MPAC and several Yankees games with clients and friends. Unfailingly diligent, Orlando passed his third CFP exam and is well on his way to completing exam number four. He also found time to take up pickleball, play some golf and begin training for a half marathon!



Orlando & Family in Rome, Italy



Dan & Erica in Zion National Park

Dan enjoyed a fun, productive summer. A highlight was a trip to Zion National Park with girlfriend, Erica. They explored miles of hiking trails taking in spectacular views of the canyons below. The peace and serenity of the great outdoors proved uplifting for the soul and Dan returned to his duties at MCM with renewed vigor. He capped off his summer with a healthy dose of golf, enjoying time with friends and in support of MCM's favorite charities.

Kerry just returned from the annual Raymond James Women's Conference with her characteristic energy and enthusiasm. This opportunity to share ideas with RJ's top women advisors is one of her favorite events each year. Hockey started early for son, Gavin (9), as tournament play for his new, squirt team began in August. Kerry, husband, Garrett, and Gavin still managed a late summer trip to Orlando to take on the rides and water slides of Universal and Disney. In the most exciting news of all, the family threw a baby shower for stepdaughter Jenna and husband, Bob, who are expecting a baby boy in a few short weeks. Is it possible Kerry will be a grandmother?! We'll have the big announcement in our next newsletter.



Kerry and Family at Jenna's Baby Shower



As usual, it's all about family for **Bob** and wife, Maureen. A highlight was Labor Day weekend at the beach in beautiful Brigantine, NJ with Maureen's sisters and their husbands. Next was a trip to Miami University (Ohio) to drop son, Matt, off for his final college semester! Then it was on to Charlotte, NC to visit daughter, Erin. Bob particularly enjoyed a visit to the delightful shores of Lake Norman. Finally, a trip to Boston to visit first born son, James, to celebrate his 28th birthday. Where does the time go?

Bob & his best friend in Brigantine

The annual Raymond James Leaders Conference was held in July amidst the rugged beauty of Park City, Utah. This event is always a highlight for **Bill**. Over the years he has forged friendships with wonderful peers who represent the best people in the wealth management field. The cool mountain air offered a most welcome respite from the hot, humid New Jersey summer. At home, Bill has focused on getting involved with some of the many worthwhile non-profit organizations in the Morristown area.



Bill, Kerry, and Friends at Fiddlers Elbow

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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