

180 Mount Airy Road, Suite 208
Basking Ridge, NJ 07920
www.mendhamcapital.com
T: 908.204.1234 F: 908.204.0006

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FOURTH QUARTER 2024 NEWSLETTER

The Law of Inertia

Newton's First Law of Motion posits that an object in motion will remain in motion unless something stops it.

A bout of late summer doldrums in the form of the unwinding of the yen carry trade failed to curtail the momentum in the resilient US equity market.

For those unfamiliar with this concept, the unwinding of the so-called yen carry trade, is when traders borrow cheap yen, use it to invests in assets like US stocks, then sell when the currency rallies. The bank of Japan raised rates, causing the yen to rally and traders to sell US equities causing a short-lived big selloff.

The S&P 500 bottomed around 5,186 on August 5 before rallying to 5,762 as you can see in the chart below:

Review of Previous Quarters:

	<u>12/31/2023</u>	<u>06/31/2024</u>	<u>09/30/2024</u>	<u>QTD Change as of 09/30/2024</u>	<u>YTD Change as of 09/30/2024</u>
S&P 500	4,769.83	5,460.48	5,762.48	+5.53%	+20.81%
Dow	37,689.54	39,118.36	42,330.15	+8.21%	+12.31%
NASDAQ Composite	15,011.35	17,732.60	18,189.17	+2.57%	+21.17%
Russell 2000	2,027.07	2,047.69	2,229.97	+8.90%	+10.01%
MSCI EAFE	2,237.81	2,314.63	2,468.66	+6.65%	+10.32%
10-Year Treasury Note	3.38%	4.40%	3.75%	-65 basis points	-13 basis points
3-Month T-Bill Rate	5.36%	5.37%	4.60%	-77 basis points	-76 basis points
Price of Gold (COMEX)	\$2,071.80	\$2,327.70	\$2,672.10	+14.80%	+28.97%
Crude Oil (NYMEX)	\$71.33	\$81.54	\$67.63	-17.06%	-5.19%
US Dollar Index	101.38	105.87	101.12	-4.49%	-.26%

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.

Q3 delivered on some long-desired market metrics for many seasoned observers:

- The equal weight S&P 500 outperformed the Magnificent 7 dominated S&P 500 for the first time in memory. Broader participation is seen as a positive sign for the market's overall health.
- Treasury yields dropped markedly in the quarter.
- The drop in yields provided fuel to small and mid-cap shares evidenced by the outperformance of the Russell 2000. Historically, smaller companies have been more sensitive to changes in borrowing costs relative to their large cap brethren.

The Fed, Economics, and the Bond Market

The Fed lowered the target range of the Federal Funds Rate by 50 basis points on September 18. This reflects a recalibration by the Fed in navigating its dual mandate of achieving full employment while keeping prices stable.

Interestingly, a subsequent strong payroll report and modestly lower unemployment rate caused a backup in interest rates with the 10-Year Treasury at a recent 4.07% versus 3.75% at quarter's end. The tug of war between fighting inflation and promoting economic growth rages on.

Kiplinger looks for 2.6% GDP growth this year moderating to 2.0% next year. Unemployment is forecast at 4.3% at year end 2024 and 4.1% at year end 2025. If this proves true, the Fed will have pulled off the much-discussed elusive soft landing.

Core inflation is predicted at 3.2% at end 2024, trending in the right direction, but still above the Fed's 2% target rate.

Outlook & Perspective

The pattern of new all-time highs is bullish for stocks. As evinced by Sir Isaac Newton, the trend is our friend.

Analysts expect corporate earnings to remain strong over the next year or more in the US and across Europe, Japan, and the emerging markets.

Having said this, years of experience suggest that we are wise to remain humble, keep our emotions in check, maintain our discipline, stay diversified, and stick to our well-conceived plan.

As expressed by legendary investor, Benjamin Graham, “the essence of investment management is the management of risks, not the management of returns.” If we manage the risks, the returns take care of themselves.

Much of the impact of the presidential election hinges on the ability of the winner to propel other candidates in his/her party to victory. Control of the US Senate and House of Representatives is in play. It is a comfort to many that divided government is a likely outcome, with continued gridlock dampening the most extreme impulses of both major parties.

We remain optimistic, but aware of the risks to any forward-looking analysis, chief among them war in Ukraine and the Middle East, higher oil prices, and geopolitical tensions.

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.

Tax efficiency is front and center now that we have entered Q4. It is nice that the market has done well but we must now make every effort to mitigate the impact of capital gains. Year end will be a busy time at MCM!

We will also be raising awareness on opportunities such as Qualified Charitable Distributions (QCD's), Roth conversion strategies, tax-bracket maximization, charitable gifting, and donor advised funds as 2024 draws to a close.

Community Spotlight & MCM Notes



Summer provides opportunity for recreation, and at Mendham Capital that means golf. In late July, we held our annual team outing on a beautiful afternoon at Fiddler's Elbow. Great fun!

Bill and Orlando had a wonderful time with friends/clients at the **Knights of Columbus** Golf Outing at Black Bear Golf Club in Sussex County. A wonderful day of fellowship and fun!



Bill and Kerry are pictured at the 7th Annual Mixed Stix Charity Member/Guest at Fiddler's Elbow with wonderful friends/clients. Great golf and great food, all for a good cause!

Dan is pictured at the **Fairleigh Dickinson University 27th Annual Robert T. Shields Devils Golf Outing** at Ballyowen Golf Course with fellow alumni and friends. It was a fun day in support of the university where he has become very involved through his board work!





Orlando had a fantastic summer enjoying local festivals in Morristown, NJ as well as refining his golf game breaking 90 for the first time this year! Orlando took this summer to catch up on some traveling side barred last year while he was studying for his CFP Exam. Orlando took a trip up to Rhode Island to catch up with some old college pals, followed by his more extravagant endeavor across the Atlantic to Barcelona and Madrid to celebrate his 25th birthday on October 8th! Locally, Orlando has enjoyed getting more involved in the community, joining the Young Professionals Committee of the Cancer Hope Network, and the well-known **Knights of Columbus Council #359**. Orlando is excited for the beautiful fall weather we have been enjoying, and more so some fresh snow on the ski slopes come this winter!

Dan had a fun and productive summer locally this year. A standout moment was the pictured 4th of July **Mixed Couples Twilight** with girlfriend, Erica. Their festive spirit and competitive efforts paid off, earning them a modest amount of Pro Shop credit – always a welcome bonus during the summer months! In addition, Dan continues to get involved in the Morristown community and is thrilled to have recently joined the **Knights of Columbus Council #359**, an organization known for its outstanding work in the community and their connections to other important organizations such as **Assumption Parish**. To burn off all the summer festivities, he has also enjoyed attending the weekly **FRVD Run Club** which has fun yet challenging routes around Morristown and has led to new friendships and hopefully less fat!



Kerry epitomizes MCM's commitment to be a positive force in our community. She participated in the **Cherish the Arts Gala** for the **Institute for Music for Children** in Elizabeth. Their rapidly growing programs are providing more and more children with the opportunity to express their musical & creative instincts! In the accompanying picture, Kerry is with friends/clients at the recent gala in support of **Cheshire Home** in Florham Park and their efforts to enhance the lives of individuals with spinal cord injuries. Kerry served on the golf committee for **The Center for Great Expectations**, raising funds to help young children

and their mothers battling mental health or substance abuse challenges. Kerry is passionate about investor education, helping clients feel comfortable with money and investing, and empowering women investors.

Bob and wife, Maureen, spent Labor Day weekend “down at the Jersey shore” in Brigantine, NJ. While they are sad to see the summer come to an end, they are enthusiastic about the start of football season! They kicked off the season in style, cheering the Rutgers Scarlet Knights to victory in their Big 10 football home opener win over the 2024 National Champion runner up Washington Huskies. A very exciting game that came down to the last play! They were also able to visit with eldest son, James, in Boston, enjoying refreshing cocktails on a fabled “tall ship” in Boston Harbor. Next on the agenda is a trip to visit daughter, Erin, in Charlotte, NC.



Bill enjoyed a fun summer despite nursing a debilitating sore back. He attended a joyous 50th wedding anniversary weekend for dear friends in Cortland, NY. The 1970’s themed celebration presented an opportunity to dress up and have some Saturday Night Fever style fun. Bill is pictured with fellow revelers in his award-winning costume! Mid-August presented an opportunity to enjoy a buddy golf trip at the beautiful Turning Stone Resort. Bill was able to attend an incredible New York Mets walk off home run victory over the Orioles as they marched into a wild card berth. The amazing Mets are about to take on the Dodgers in the NLCS. You gotta believe! Bill enjoyed a delicious dinner while attending an investment conference in Boston. How nice was it to be treated by nephew, James, now a rising star in our industry!

A Wonderful Milestone – Thank you!

This summer MCM reached a lofty milestone thanks to the loyalty and support of our clients! Our assets under management (AUM) surpassed \$500 million, placing our practice in the upper echelons of our industry. Day 1 at MCM was June 1, 1997, and I would not have believed it if you told me we would one day manage over half a billion dollars! Our only wish is to continue to provide outstanding service to you as we grow towards \$1 billion!

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,



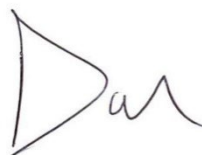
William F. Burke, Jr.
President, Mendham Capital Management
Registered Principal, RJFS



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



Kerry Mellott
Vice President, Mendham Capital Management
Financial Planner, RJFS



Daniel Long
Vice President, Mendham Capital Management
Wealth Planner, RJFS



Orlando Diaz, Jr.
Associate, Mendham Capital Management
Financial Planner, RJFS

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