



## **All Time Highs? Look Out Below!**

### **June 2024 Update**

*"I never attempt to make money on the stock market. I buy on the assumption that they could close the market the next day and not reopen it for five years."*

*-Warren Buffett*

Sorry for the clickbait headline, but I'm out to make a point. Fear is a powerful marketing tool in this industry. Unfortunately, it's also the top reason investors often fail to achieve decent long-term returns.

For decades, professional doomsayers have been loud, overwhelming the senses of investors, even during major bull markets. They only need to be right once to be remembered as "the one who called the crash." Figures like Robert Kiyosaki (Rich Dad, Poor Dad), James Rickards (Road to Ruin), and Marc Faber (Dr. Doom) have been phenomenally wrong in their market predictions, except for a few lucky calls during market downturns. The saying, "Even a broken clock is right twice a day" applies here. These "perma-bears" sell thousands of books, turning them into marketers rather than market professionals, exploiting emotions for their own benefit. Learn how to spot them—and then do your best to ignore them.

In my commitment to rational investment, this newsletter will strive to maintain a measured tone in hopes you can enjoy the calm that most true professional investors feel. Despite risks always existing, there are ways to invest appropriately that will serve you over your lifetime.













### **May 2024 Recap**

The Dow Industrial, NASDAQ Composite, and S&P 500 Indices each reached all-time highs in mid-May before slightly pulling back at the month's end. Investors remain bullish on the U.S. economy as inflation pressures ease and expectations of lower rates prevail. Low unemployment and strong consumption lead to good corporate earnings and market tailwinds. The bond market remains range-bound, complementing equity portfolios, especially for those near or in withdrawal phases.

### **On the Horizon**

As the presidential election heats up, attention shifts to November. Both candidates have agreed to an in-person debate on June 27th. While elections can be emotionally charged, it's important to remember that market performance is generally not correlated with election cycles. Relying on election outcomes to predict market movements is not a reliable strategy and should be avoided.

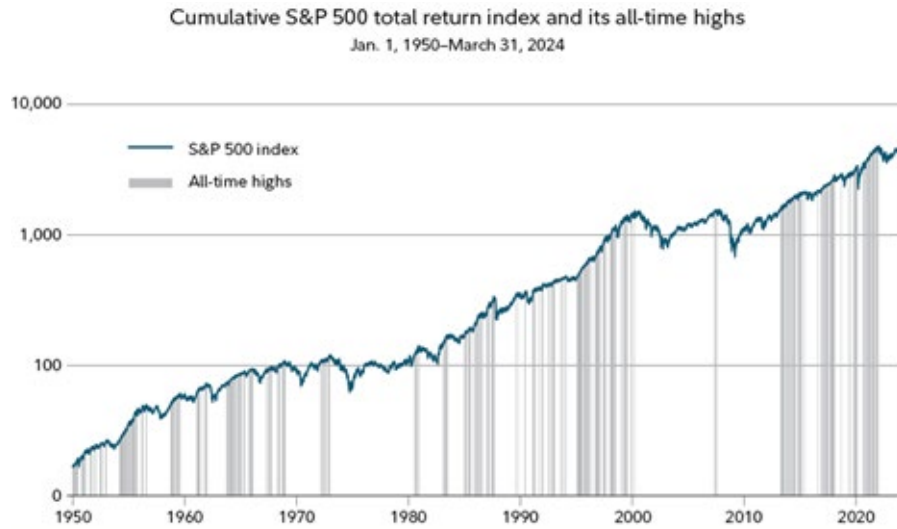
**Historical election outcome scenarios and market performance**

Scenario	White House control	Congress control	Outcome	Average 3-month S&P 500 return during period	Average 3-month return relative to all periods	Statistically significant (>95%)?
1		+ 	= One party (D)	2.20%	+0.02%	No
2		+ 	= Divided	3.85%	+1.67%	Yes
3		+ 	= Divided	3.93%	+1.75%	Yes
4		+ 	= Divided	1.19%	-0.99%	Yes
5		+ 	= One party (R)	2.67%	+0.49%	No
6		+ 	= Divided	1.62%	-0.67%	No
			All one party (D or R)	2.33%	+0.15%	No
			All divided	2.08%	-0.10%	No

Source: US Bank Asset Management Group

## Chart of the Month: All-Time Highs

What do we do differently when markets reach all-time highs? All-time highs are historically followed by more all-time highs (see chart below). As active equity managers, we buy and sell individual securities based on our assessment of fair value. We might add positions in attractively valued names or trim/sell those we believe are overvalued. Market averages don't necessarily reflect the movements of individual companies in our portfolio.



*Stocks represented by S&P 500 index total returns from 1950-2023. Past performance is no guarantee of future results. Source; Fidelity, Strategic Advisers LLC, Bloomberg Finance, L.P., from 12/31/1949 to 3/31/2024, daily data. U.S. stocks are represented by the S&P 500 index. It is not possible to invest directly in an index. All indexes are unmanaged. Average 1-year total return was 12.4% over this time period. Source; Fidelity Investments Strategic Advisers LLC.*

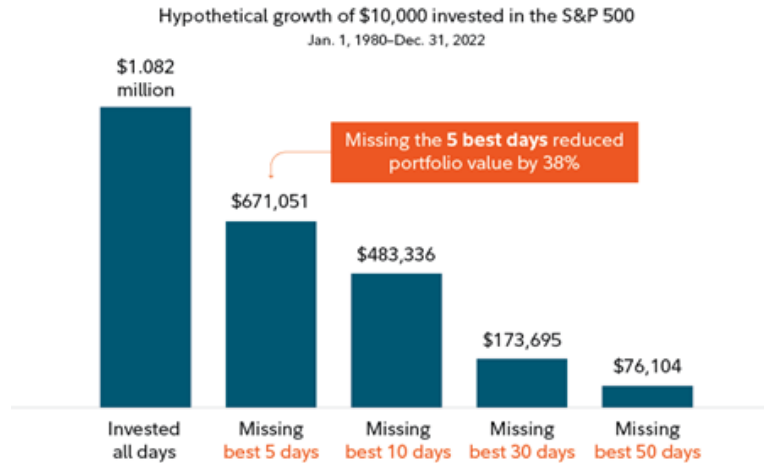
Investors who react to new highs by liquidating investments in hopes of buying back lower almost certainly disadvantage themselves over time. Accepting a degree of price volatility is necessary to stay invested. However, an appropriate allocation to fixed income—now yielding over 5%—can help mitigate some volatility for those more sensitive to market swings.

## Takeaway

*"Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in corrections themselves."*

*-Peter Lynch*

Recession fears, inflation, presidential elections, and global instability haven't stopped American businesses from generating value over time. Market timing based on dramatic headlines can be ruinous to long-term success. Staying the course can be emotionally challenging, but having a solid strategy in place takes away the sting of the unknown. For example, at current interest rates, a well-structured bond portfolio can be an excellent tool to complement growth equities and provide a source of "dry powder" during inevitable corrections.



*Stock returns represented by the S&P 500 index from January 1, 1980 to December 31, 2022. Past performance is not a guarantee of future results. Source: Fidelity, Asset Allocation Research Team, Bloomberg as of 12/31/2022.*

Our team continually seeks to invest in strong companies with the right combination of financial, product, and managerial strength to deliver results. This fundamental approach has propelled our growth to over \$2 billion in client assets under management and advisement. We look forward to continuing to grow with you.

If you're not yet a client and would like a complimentary review of your investment portfolio, please call me to schedule an appointment or click on this link to be added to my calendar. I am available for virtual or in-person meetings.

Best regards,

**John Canty**

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