

George McAuliffe – First Quarter 2024 Commentary

Dear Clients,

The market had a fairly stable first three months of 2024, continuing the mostly slow and steady rise it has been posting since roughly last October. With no Fed action on interest rates, or major geopolitical news, and a still seemingly mostly decent economy, the path of least resistance for the market has been a slow rise.

Over the last few quarters, and outside of geopolitical events and AI, the conversation around what will next drive markets has revolved around interest rates. So far, the Fed has said it wants to see inflation down to its target in order to lower rates, and the only change it has made is in the last quarter when it softened that wording to read "over time" towards its target. And while Fed meetings have come and gone with no rate change, the market has lowered its expectations from five cuts this year, to now maybe only one or two, leaving us in this "higher for longer" situation for longer than markets had hoped. This has also contributed to the current environment where it is not always clear whether short-term news is good or bad. Good corporate earnings and employment point to a decent economy, but then that will support inflation, so the Fed won't cut, which then is bad for M&A and housing and the consumer. So, we need higher unemployment and lower earnings so inflation goes down so that we can cut rates so that the economy does well? If it isn't already doing well. This is all very confusing, and why I am not an economist, and why I instead focus on trying to find good companies that will get rewarded regardless of whatever else is going on.

Meanwhile, the various geopolitical hot spots remain somewhat contained or at stalemates, and while we await what kind of economic "landing" we might see, rapidly advancing AI capabilities hint at productivity gains to come across most industries. And, in that respect, most of our investments seem well positioned to benefit from these advances, whether as users or providers or both. But in the very short term, economic news might shortly take second seat behind a contentious US presidential election period due to start ramping up. There will no doubt be a lot of noise, but we take comfort in our knowledge that, whichever political party gains power, markets historically have not really cared. With that, we will continue to focus on what really drives our investments, and I thank you for your continued support.

As always, I would be happy to discuss further with anyone interested.

Thank you,

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