Matt's Minutes: Year End 2023 "Closed Captions"
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Hi everyone, this is Matt Curfman here with a Richmond Brothers edition of Matt's Minutes for the final week of 2023. I hope for those of you that were celebrating you had some downtime, hopefully just some time to pause and reflect be grateful for some of the things that we even take for granted over the holiday season.

We're grateful for all of you and having the opportunity to serve you for another year in 2023. And I had some thoughts as we wind down the year and think ahead to 2024 I wanted to share with you. So first, um, I see a lot of headlines and I call that headline envy where you say, Hey, the Dow Jones has hit a record high.

Oh, so exciting. Next question is, Are you afraid that you missed out on the, on the market rally this year? Uh, well, guess what? If you are, you are not alone. I pulled some research and according to a CNBC millionaire study, published in December of 2023, most of the sophisticated investors out there, were actually very heavy in cash, in bonds and in other holdings that were not S& P 500 or traditional equities. What that means is they effectively missed the rally in the market this year. Another CNBC study showed that in December there were more than six trillion dollars in money market funds. That's up from 4. 8 trillion as of January of 2023.

So if more and more money is in money markets, guess what that means? It's not in the market. So that's the question. Did you miss the rally and one if you did or you feel like you did, you're not alone. So what does that all mean and what's happening? So basically I thought I'd continue to give some perspective and I have a chart here, um, that I wanted to share and I will, uh, basically use, um, the tools here and I will basically show you.

So what I did is I graphed, basically, uh, 2022 and then 2023. In 2022, I have the S& P 500, the Dow Jones, the NASDAQ, the Equal Weight S& P 500, and then Bloomberg US Aggregate, which are bonds. Now you can kind of see that in January 22 to January 23, the general trend of everything last year was negative.

You might not see it on this chart. But last year, the S and P 500 was down 18 to 20%. Bloomberg aggregate U. S. bonds were down 15%. The Nasdaq was down 33. Really, really challenging year in 2022, and it feels like a lifetime away, but it's not that long ago. Then you say, Okay, well, what if we only look at 2023, Matt?

Well, you can see in general things trended up. And so that's certainly good. So when you see headlines that talk about the market rally, that's what's really happening. Things are coming up, but you have to have the perspective. They're coming up from pretty low lows. So what I did here is I compress the two charts from 22 and 23.

This is through Friday, December 22nd, right before Christmas when markets were closed. And you can see that over this approximate two-year window, the highest returning equity sector was the Dow Jones with a total return of 2. 8%. That's 2. 8 percent over two years total. If you look at the S& P, it was basically flat, slightly negative.

The S& P equal weight was down 3. 5 percent over the two years. The NASDAQ was still down 4%. How is that possible when the NASDAQ, this blue line, is up 44 percent year to day? Well, it was down 33 percent last year. So just to get to break even mathematically, you need that to earn over 49 percent this year.

Just to break even, you look at bonds, which is the pink line still down 8. 5, almost 8. 6 percent over two years. So I bring this up because this is basically the roller coaster that we've all largely been on. Are there good signs coming ahead? Possibly. So what do I mean by that good signs? Well, heading into 2024, I had to think about what you were heading into, uh, the Federal Reserve has spoken, and, um, they're keeping rates fairly steady.

They even actually hinted at possible rate decreases at some point, maybe in the second half of next year. That means inflation is cooling down and not escalating. Unemployment still seems to be under 4 percent according to economists, which says if you want to work, there is work available. Um, corporate earnings have still been generally good.

And so there is some positivity in the stock market. In addition, What else is going on? 2024 would presidential election cycle, so that could be both a blessing and a curse. Historically, presidential election cycles are positive years for the markets over 83 percent of the time, historically speaking, and that's data I shared in my last Matt's Minutes.

However, I think the other number one risk that we face in 2024 is continued war and conflict and government dysfunction, and so those are certainly concerns. So what is the answer to all this? The answer, I think, is still balance. And having the right allocation. Um, some of you have used some of the beacon strategies with safety nets.

And if I go back to my chart here, I will bring it up here again. I'll erase all of this just to kind of keep it clean. But, if you basically look from here to here, this was basically from July to end of October, basically most of the broad markets dropped 10%. And that was enough for beacon to trigger a defensive move.

Why would they do that? Well, that's generally a rule of thumb for safety nets so that things, if they kept going South, you basically get out and stay conservative right here. Now in this. In this example, the markets have come back up from that. So we've missed out on some of that upside. But it's more and more important, we think, to protect the downside.

And statistically, since the market's inception, and you have to use the Dow Jones here going back to the 1800s, 44 percent of the time, according to research, when the market drops 10%, that's not where it stops. It continues to escalate down. 2024, there's room for growth, but we still want safety nets in place.

For those of you who are using Beacon now and our smoother ride strategies, for those of you who are curious about it, we have been working with Beacon to add a new layer of investment options. And for those of you that are familiar, this will include the Fidelity S& P 500. So this would be a cap weighted index, which has a different return than equal weighted.

And then also QQQ, which mimics more of the NASDAQ. So tech heavy focus, but we're doing it with safety nets. So this will probably be available to us and for our clients in January of 2024. And so it may be an appropriate percentage for some of your equities. Uh, and we can speak individually with you on your advisory calls when that comes out and certainly stay tuned for that information.

So with that, I wanted to wind this video down. I'm at seven minutes. Thank you so much for tuning in. I'll be back in touch in the first couple of weeks of January with more updates, wishing you all of the best as we head into this next year of 2024. Thank you for tuning in.

Sources:

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