

MARKET COMMENTARY – January 1, 2024

Que sera, sera. ~ Doris Day in The Man Who Knew Too Much

Like many young couples in their first years of marriage, we ran our little household on a limited budget. In those ancient times we found ourselves able to afford something a few levels beneath ‘basic’ cable. Our particular subscription brought us the local broadcast stations plus three other specialty channels. Among that vast selection was Turner Classic Movies. And so we found ourselves watching many films made in the Golden Era of Hollywood that we’d never have seen otherwise.

Some of our favorites were those directed by Alfred Hitchcock and starring the likes of Cary Grant or Jimmy Stewart. The latter actor was paired with Doris Day in the 1956 Hitchcock hit listed above. At one particular tense moment late in the film, Day sits at a piano and belts out, “Que sera, sera. Whatever will be, will be. The future’s not ours to see. Que sera, sera.” If you haven’t ever watched the movie, or it has been many decades since you have had the pleasure, we encourage you to give it a try.

Since it is fashionable to spend the final weeks of an old year predicting the course of the coming new one, this tune came to mind. But before our dear readers accuse us of falling into a depressive bout of fatalism, please allow us a chance to explain.

It is clear the world has become a dangerous place with regard to physical and financial well-being in recent years. Decisions made by corporate executives, political leaders, or even random citizens seem to have heightened effects on all of us via the compounded actions of digital media. It is in this specific sense we think of the phrase, “Que sera, sera. Whatever will be, will be.” Neither we nor our clients have power to precisely alter events transpiring outside our purview. Too often, they just happen to us.

Yet, wise folks throughout history have come to understand that such a realistic view does not mean we are powerless. No! Ahead of time we may anticipate several likely scenarios and plan accordingly. We may hope for a robust economic expansion, but still construct a portfolio that will withstand a pullback. We diversify our ‘bets.’ Plan for the most likely, but also enable ourselves to survive and profit from those less likely outcomes. An oak thrives, spreading its broad boughs over many decades, by having a precise mix of rigidity and flexibility. And so must our investments.

As we’ve mentioned countless times in the past, that is what we aim to do – build robust, resilient portfolios for our hardworking clients.

And though we admit it is of great risk to spill digital ink on the subject, and with all the proper caveats (ifs and thens), here are our thoughts on what may transpire in 2024.

Our predictions for inflation and interest rates were accurate for 2023. In the coming twelve months, we expect the Federal Reserve to keep rates steady and even lower them a touch. The market is expecting aggressive cuts. We do not foresee precipitous drops occurring because of the inflationary pressures from geopolitical events, green energy agendas, and industrial policies the world over. As such, we think it possible inflation remains stable (elevated) for all of 2024.

Economic growth. We think the data show an un-named recession occurred in the 2020-2022 period. We emerged from it late in '22 and into '23. And while a recession is always on the horizon, it seems most likely that 2024 will remain in growth mode.

Market returns. We expect bonds to post positive returns again – as they did in 2023. Bonds suffer in rising rate environments. They do well in periods of steady or dropping rates as we think will occur in 2024. As far as stock returns go, we think the Santa Claus rally that began in late 2023 probably propelled stocks ahead of their fundamentals. We expect positive returns for stocks in 2024, though not of the magnitude we saw in 2023 which was at the start of the recovery. We expect elevated choppiness compared to the last quarter of 2023 when stocks marched steadily upward.

As we wrap up our inaugural letter of 2024, let us remember that whatever will be, will be. And because of that, we will prepare for storms and rainbows alike. Our portfolios will remain firm, yet adaptable, making the new year one filled with seized opportunities.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely
Jason Born, CFA
President