

## WealthWise



**A look back. A look forward.  
A look at the market  
through the eyes of an expert.**

**DECEMBER 2023**

The Devon Bank Wealth Management team wants to help you stay on top of the most important news related to finance and investing. See below for the latest edition of WealthWise.

### **December 2023 Stock Market Report**

***“If you’re going to invest in stocks for the long term, of course there are going to be periods when there’s a lot of agony and other periods when there’s a boom. And I think you just have to learn to live through them. I believe in doing as well as you can and keep going as long as they let you.”***

-Investing legend **Charlie Munger**, who passed away recently at the age of 99.

Now that we've reached the end of a *very* tumultuous 2023, it's a great time to look back at how we've done, as well as look ahead to where we're heading in 2024.

So far this year, the S&P 500 ("the market") is up about 19%, while the Dow is up 9.38%, and the technology-heavy Nasdaq is up a whopping 36% (Bitcoin— which is somehow still a thing, at least for the moment – is up a staggering 145%!).

But it was just a short time ago (essentially the 3-month period beginning in early August and lasting through the end of October) when pessimism ruled the popular narrative, and the S&P dropped just over 10%. So, what's changed in the last six weeks or so that has given rise to this newfound optimism? **The renewed prospects for a "soft landing" for the economy**, which would ultimately validate all the Federal Reserve Board's interest rate hike decisions over the past year and a half.

Clearly, investors are ending the year with a great deal of confidence, as evidenced by the VIX (Wall Street's "fear gauge") having fallen to a near four-year low recently. And since the 1920's, December has always tended to be a very good month for the markets, so that helps buoy investor hopes as well, especially after the S&P 500 just had one of best November performances in the past 100 years, rising 8.9%.



### **So how did some of the popular old market strategies do this year?**

Back in May, we discussed one oft-cited strategy: **"Sell in May and Go Away."** Believers in this theory take the position that volatility is higher and returns are lower during the period between early summer and the end of the year, so investors should dump their stock positions right around Memorial Day and then kick back and avoid all the inevitable losses to come. At the time, we at Devon Bank Wealth Management said, "it may sound catchy and make sense in theory, but in reality, it just doesn't work."

**Were we right?** Yes. Instead of losing ground, the S&P 500 actually gained 8.21% since the end of May.

How about the **"Dogs of the Dow,"** which is an investment strategy that attempts to beat the market by allocating money into a portfolio of the 10 highest dividend-paying blue chip stocks in the Dow 30. It's a catchy concept and makes sense conceptually, to be sure, but we've always considered it gimmicky, and the historical

data doesn't necessarily support it.

**Were we right?** Yes again. The Dogs are up a paltry 1.95%, compared to the Dow's 9.38% gain year-to-date.

Back in July, we talked about another market timing strategy, which involves the use of the **CNN Fear & Greed Index**. The F&G is measured on a zero to 100 basis (with zero meaning extreme bearishness for stocks, and 100 extreme bullishness). Back then, we called it an extremely useful market sentiment reading.

**Were we right?** This one is a little harder to quantify, but overall, we pretty much nailed this one, too! In late summer, for example, just as stocks were getting ready for three months of massive disappointment, this index crossed over 80 and squarely into the land of "Extreme Greed." This was a clear sell indicator for traders (not investors) that turned out to be highly accurate.

**Here at Devon Bank Wealth Management, we like to ignore the noise and focus on the factors that are going to influence 2024 market direction the most.**

Armed with optimistic economic data, including recent soft numbers on inflation and the job market, the odds that the Fed will start cutting its target policy rate by the middle of 2024 are increasing. Assuming positive trends in corporate earnings stay intact as well, we believe this combination of factors means stock investors have a lot to look forward to in the new year. We remain cautiously optimistic, but optimistic nonetheless.

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## Investing 101:

### ***"Growth Amid Loss": Another Way to Look at the Wall of Worry***

As we at Devon Bank Wealth Management have noted before, **the US stock market has a long history of moving up in value even during periods where world events would logically dictate that they shouldn't.** This action is commonly referred to as climbing the "wall of worry" and is the primary reason why we, as investors, should never wait until things feel "just right" in the world before investing our money. Below is another way to help us visualize this strange yet powerful market dynamic.

Over the last 170 years, here are just a few factors investors could have pointed to and said, *"No way I'm investing right now!"*

- 1.3 million Americans died while fighting nine major wars.
- 99.9% of all companies that were created went out of business.
- Four US presidents were assassinated.
- 675k Americans died in a single year from a flu pandemic.
- 30 separate natural disasters killed at least 400 Americans each.
- 33 recessions last a cumulative 48 years (incidentally, the number of forecasters who accurately predicted those recessions? Zero).
- The stock market dropped more than 10% at least 102 times.
- Stocks lost a third of their value at least 12 times.
- Annual inflation exceeded 10% in 20 separate years.
- The words "economic pessimism" appeared in newspapers at least 29,000 times, according to Google.

But what actually happened to the US economy over those same 170 years?*It increased by a factor of 20!*

And despite there barely being a day that went by that lacked tangible reasons for pessimism, the stock market managed an 8.5%+ annual return.

**Conclusion:** A mindset that can be paranoid and optimistic at the same time is hard to maintain but crucial for above-average long-term investing results.

## Misc...

- **What else are we lying to ourselves about??** In a recent experiment, 40% of people shown a photoshopped image of themselves riding in a viking ship as a child claimed to remember the (fictional) incident. This replicates a similar experiment from 2002 involving a fictional balloon ride.



- **Just another reason for us Midwesterners to feel “salty.”** Ten times more chlorine and caustic sodium hydroxide gets slathered onto our roads and sidewalks, than goes into processed foods, according to a recent US Geological Survey. Road salt’s corrosion of vehicles, bridges, and concrete racks up **\$5 billion** in damages annually in the US, more than double the \$2.3 billion spent by state and local agencies to plow and salt highways.



- **Paul’s Picks: “Taylor & Mane at 28 Mile!”** If you’ve always wished you could see Paul’s wildly mediocre 80’s and 90’s cover band, **Taylor & Mane**, play a live show (you have always wished that, haven’t you??), there’s no better time to do so

than on **Saturday, December 30th**, at 28 Mile Distillery in Highwood. 28 Mile is one of the top music venues in the Chicago suburbs and features a sound system so good it even makes Paul's voice sound passable. All the band's net proceeds and a portion of the bar profits go to charity, so even if you hate the music, at least it's for a good cause! All details can be found at [fb.me/e/1A3AcZc0a](https://fb.me/e/1A3AcZc0a) or by scanning the QR code.



***Happy Holidays to you all!***

***Paul Manelis***



**Ready to build wealth for tomorrow?**  
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