



Welcome to the spring of 2024,

*... how do we know when irrational exuberance has unduly escalated asset values, which then become subject to unexpected and prolonged contractions as they have in Japan over the past decade...?*

The quote above was delivered by Alan Greenspan, then chairman of the Federal Reserve. The speech took place in December of 1996. The US stock market peaks in 1999 and the bubble pops in 2000. We look at 2024 with this lens... one cannot call a top as exuberance can last far longer than is rational.

Narrow markets are not new. In the 1960's and 1970's the darling stocks of the time were coined the Nifty Fifty. In 2013 we got FANG (Facebook, Apple, Netflix, Google); we added Apple to get FAANG in 2017. Today we have the Magnificent 7 and more recently the Magnificent 4. Many of these valuations have the attributes of irrational exuberance. Some likely are justified, many are not. Finally, the US represents 60% of the Global stock market but only 15% of Global purchasing power adjusted GDP.

We encourage you to think broader in the remainder of 2024. Many equity sectors not covered daily by CNBC are attractively priced. There are many things to like. We trust our process and the commitment to diversification to help avoid the group think luring us into the narrow, expensive, side of equity markets.

#### **Market Performance:**

S&P 500:	10.5%
S&P 400:	9.9%
Russell 2000:	5.4%
NASDAQ:	8.8%
MSCI World ex-US:	8.3%
US Agg. Bond	-0.7%

Global equity indexes took a reasonably calm step forward thus far in 2024. US Large Growth continues to outperform Value, albeit less so than last year. Large capitalizations outperform small. Volatility remains near historic lows. This may be the result of "buy-write" call selling strategies growing which is suppressing volatility. Overall, markets are functioning rationally with pockets of exuberance.

#### **Portfolio Positioning**

Really, little has changed since the year-end. We look to utilize Treasuries and position traded money markets to increase yield on cash. The question around rate cuts remains. We are comfortable going into the intermediate term Treasury curve for longer term liquid investment. Additionally, smaller capitalizations and non-US equities remain attractive. The theme this quarter is 'trust the model.' We have designed custom risk allocations for you. It is our intention to adhere to those targets through 2024 or until the unexpected and prolonged contraction occurs. Finally, yes there is our quadrennial election cycle which has historically provided positive returns.

We look forward to connecting soon. In the meantime, we hope you are enjoying Spring.

-Fountainhead Financial, LLC.