

# 1ST QUARTER 2024 MARKET OVERVIEW

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## EXCEEDING HIGH HOPES

If you had high hopes for the stock market at the beginning of the year, they were probably exceeded. Good conditions for investing prevailed throughout the first quarter. While nudging higher, both interest rates and inflation appeared to be contained. Expected interest rate cuts from the Fed supported the bullishness. Earnings are robust.

Gains for the major market indices have now topped all experts' projections for the entire 2024. Goodness sakes, the Dow nearly hit 40,000!

Separately, cash balances within investment accounts continue to earn above 5%. One of our clients made the comment recently, "The great thing about right now is that I can do nothing with my money and make over 5%, predictably, every day".

During the first quarter, the stock market took its bullish cue accordingly, and climbed steadily higher. Monthly gains for the S&P 500 were 1.59%, 5.18%, and 3.2% for a total gain of 10% for the quarter. The NASDAQ trailed, just slightly. The Russell 2000 was up 4%, also a strong showing. The win streak for the market is five months, going back to last fall.

We, of course, worry that last year, the market chugged along for a five month win streak before turbulence which led to a 10% downturn. It is reasonable to expect investors to "take some chips off the table" in April and May for the simple reason that stocks need a break. In addition, factors loom that could knock the market off of its elevated perch. Inflation is still sticky high and interest rate cuts might take longer to happen. Also, the bar is exceedingly high for corporate earnings to miss their lofty 11% growth rate expectations.

The sheer momentum of the market could continue, but we are planning for some hangups. The big question is whether this first quarter surge is largely played out for rest of the year.

## TECHNOLOGY COMPANIES DISGUISED

Last year, large technology stocks maintained a stranglehold on the overall market. Enthusiasm over AI made investors clamor for stocks like Nvidia, believing the rush for faster computing would lead to ever increasing investment gains.

Enthusiasm for these stocks might be waning, as the market now digests whether they have run too far. The Magnificent Seven has faded to the Fabulous Four. Tesla and Apple are down for 2024 and Alphabet is only matching the market. That leaves just Amazon, Meta, Microsoft, and Nvidia with heady gains but even these seem ready to take a back seat to other stocks in the months ahead.

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## ...CONTINUED **TECHNOLOGY COMPANIES DISGUISED**

It now appears increasingly likely that leadership in the stock market will turn to companies that can best utilize technology for productivity gains. Industrial manufacturing, healthcare, food service, and retail, stand to gain the most from technological advancements.

You can read about the proclaimed Fourth Industrial Revolution. This is the application of data exchange and automation. It promises transformational benefits for companies. Applying cloud computing, internet of things, cognitive computing, and AI, literally converts all companies into veritable technology companies.

They become technology companies that are disguised as something else.

Think of Caterpillar as an example. Automation is implemented in manufacturing. Data management reduces costs on the supply chain. CAT products become encased with new efficiencies so its customers save time and money. A traditional machine, like an excavator, becomes a symbol of technology. CAT actually starts to run like a technology company. Lo and behold, its stock trades like a high flying tech stock, too. CAT stock has performed far better than Apple and Alphabet, since last November, and is even ahead of Amazon. CAT would have been a great stock for our clients these last six months.

Really, when you look far and wide, there are endless examples of companies that benefit from technology. Stocks of companies in power management, temperature control, and water control, hold unique appeal for this economy. These are obvious front line beneficiaries of the Fourth Industrial Revolution.

The best disguised technology companies, carry impressive opportunity for investment in 2024.

## **PEREGRINE STRATEGY**

Volatility and a persistent threat of a sharp stock market decline makes an allocation to TBills an and an important component for any investment account. It is likely that we will see some market turbulence in this second quarter, so we hope to be well served by this cash position.

During Q1, our actively managed accounts had disappointing losses in Boeing, following the mishap with their plane. Also, our large bets on CVS and Expedia did not pay off as these stocks dropped on their earnings reports. We also relinquished our Verizon shares, as it seemed to have topped out on its recovery run.

Stocks like GE and Amazon continue to hold our favor, along with a slate of industrial companies doing business in the categories described above.

In an effort to bolster our investment accounts, we are building larger positions in single stock names, that we hope will be good performers. Our intent is a more concentrated list of holdings will contribute to improved returns.

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April 3, 2024



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