

“Far more money has been lost by investors in preparing for corrections, or anticipating corrections, than has been lost in the corrections themselves.”

Peter Lynch

The last significant correction in the stock market ended in October of 2022. The market had previously declined as inflation rose, but the market bottomed when this rising inflation peaked. 9% year-over-year inflation has now declined to 3% and with that the stock market has risen smartly. As the above Peter Lynch quote so elegantly states, many investors have not enjoyed these gains because they were preparing for the recession that never came. The list of “terribles” that were bound to derail the market was long indeed: The regional banking crisis, the Ukraine-Russian War, Mid-East conflicts involving Israel, Palestine and Iran, and the general feeling that a recession was around every corner.

Yet the market moved up because it anticipated inflation coming down and, with that, the opportunity the Federal Reserve would have to lower interest rates. As we stated in our last letter, the Fed appears to have succeeded in “threading the needle” at least for now. They have helped inflation decline, kept unemployment from moving aggressively higher, and allowed for GDP growth to remain steady but not robustly so. This all translates into earnings that are growing, interest rates that are moderating and inflation that is near its long-term trend. Soon the Election will be behind us, giving some investors another reason to come back into stocks as the uncertainty is over. Though we may care about who becomes President, Wall-Street is maybe more excited about the prospect of divided government, where the Executive Branch, House, and Senate are in the hands of both parties and not just one.

The rise in the market over the last two

years has led to stock valuations becoming reasonably full. Earnings need to continue to rise in an environment of low GDP growth. Inflation has already normalized and it’s important for this to continue. Unemployment has moved up a bit but nothing dramatic yet which could cause a recession. Of course, there is that large Government debt problem which at some point needs to be addressed. This debt issue makes it very critical that inflation and interest rates stay grounded.

As we enter the 4th Quarter, it’s “steady as she goes”. The investment environment remains constructive. Data points are supportive of a “soft landing” for the economy as the Fed’s goal of slowing the economy and inflation without causing a recession continues. So far so good. Investors will continue to dissect every economic report for signs that we are continuing on this path.



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We would be remiss if we didn't acknowledge our esteemed and loved colleague, Ken Malamed, who passed away on October 5. The quote from Peter Lynch at the top of this letter could have very well been written by Ken. He had an infectious, positive outlook on life which extended to the way he invested. Always looking at what could go right, the potential of individual companies, the potential of this Country, the love of his family and friends are what he held dear.

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