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*"It's never paid to bet against America. We come through things, but it's not always a smooth ride." – Warren Buffet*

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As we just finished celebrating our nation's 247<sup>th</sup> Independence Day, we are reminded that the path forward for America has never been a straight line nor a certain one, but it has been a successful run thus far. Multiple generations have enjoyed years of prosperity and we have improved our standard of living along the way, all while displaying resiliency during difficult times with decisions and efforts that have been legendary. Happy Birthday, America!

On the topic of legendary, the U.S. capital markets of 2023 have been extraordinary in six short months. We have witnessed the top five largest stocks by market cap size (Apple, Microsoft, Google, Amazon, and Nvidia; aka Megacaps) dominate and influence the overall YTD performance of the S&P 500 in an unprecedented way as they represent approximately 22% of the market weight within the S&P 500 Index. These five stocks accounted for roughly 80% of the 16% gain halfway through this year.



**General Grant Nat'l Memorial (Photo by A. Ambrosino)**

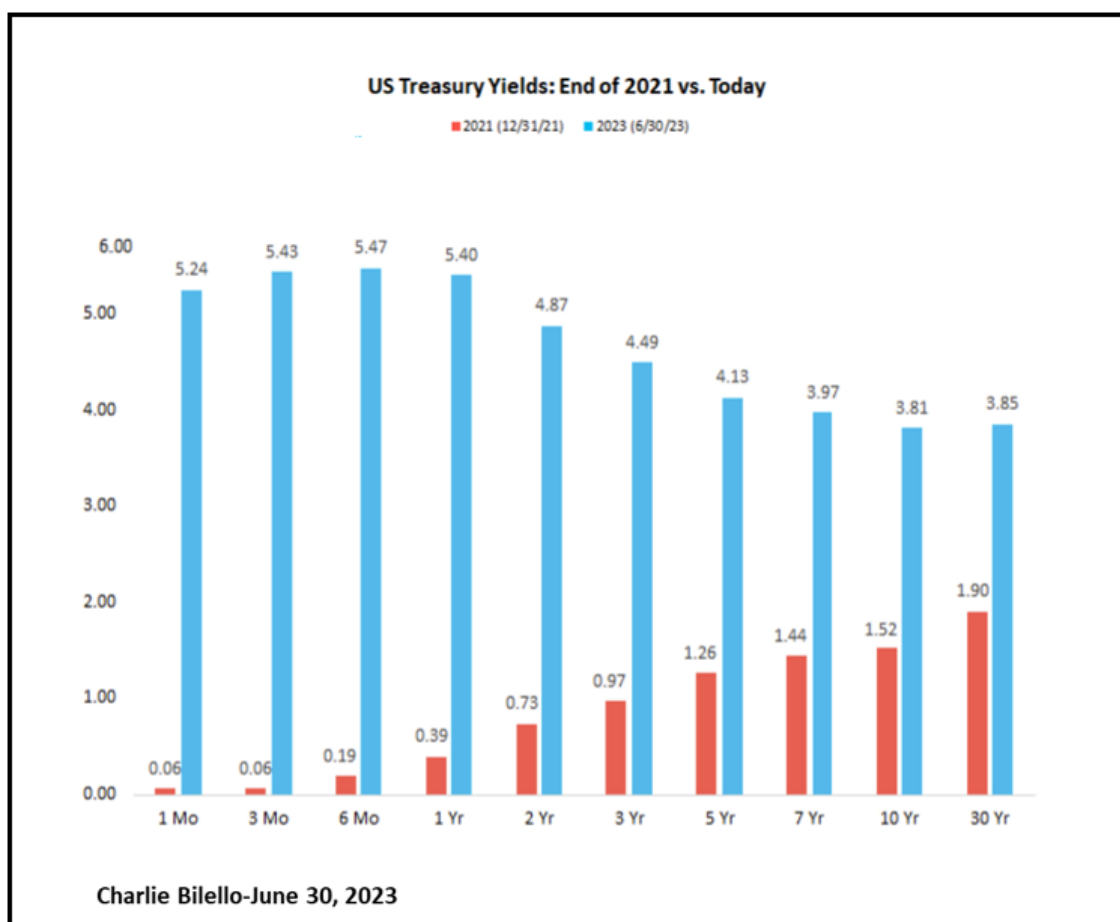
Best Performing Stocks in the S&P 500 (2023 YTD)				
Rank	Symbol	Name	Industry	2023 Total Return
1	NVDA	NVIDIA Corp	Semiconductors	189.4%
2	META	Meta Platforms Inc	Internet Content & Information	138.4%
3	CCL	Carnival Corp	Travel Services	133.6%
4	TSLA	Tesla Inc	Auto Manufacturers	112.5%
5	RCL	Royal Caribbean Group	Travel Services	109.9%
6	PANW	Palo Alto Networks Inc	Software - Infrastructure	83.1%
7	NCLH	Norwegian Cruise Line Holding	Travel Services	77.9%
8	AMD	Advanced Micro Devices Inc	Semiconductors	75.9%
9	PHM	PulteGroup Inc	Residential Construction	71.5%
10	GE	General Electric Co	Specialty Industrial Machinery	68.2%
11	ALGN	Align Technology Inc	Medical Devices	67.7%
12	WST	West Pharmaceutical Services I	Medical Instruments & Supplies	62.7%
13	CRM	Salesforce Inc	Software - Application	59.3%
14	AVGO	Broadcom Inc	Semiconductors	57.1%
15	AMZN	Amazon.com Inc	Internet Retail	55.2%
16	FTNT	Fortinet Inc	Software - Infrastructure	54.6%
17	CMG	Chipotle Mexican Grill Inc	Restaurants	54.2%
18	LRCX	Lam Research Corp	Semiconductor Equipment & Materials	53.9%
19	MPWR	Monolithic Power Systems Inc	Semiconductors	53.5%
20	ON	ON Semiconductor Corp	Semiconductors	51.6%

Worst Performing Stocks in the S&P 500 (2023 YTD)				
Rank	Symbol	Name	Industry	2023 Total Return
500	AAP	Advance Auto Parts Inc	Specialty Retail	-51.6%
499	KEY	KeyCorp	Banks - Regional	-45.2%
498	ZION	Zions Bancorp NA	Banks - Regional	-44.1%
497	ENPH	Enphase Energy Inc	Solar	-36.8%
496	CMA	Comerica Inc	Banks - Regional	-34.5%
495	MRNA	Moderna Inc	Biotechnology	-32.4%
494	CFG	Citizens Financial Group Inc	Banks - Regional	-32.1%
493	NWL	Newell Brands Inc	Household & Personal Products	-32.0%
492	EPAM	EPAM Systems Inc	Information Technology Services	-31.4%
491	SCHW	Charles Schwab Corp	Capital Markets	-31.4%
490	DG	Dollar General Corp	Discount Stores	-30.9%
489	ETSY	Etsy Inc	Internet Retail	-29.4%
488	VFC	VF Corp	Apparel Manufacturing	-28.9%
487	TFC	Truist Financial Corp	Banks - Regional	-27.3%
486	AES	The AES Corp	Utilities - Diversified	-27.0%
485	PFE	Pfizer Inc	Drug Manufacturers - General	-27.0%
484	APA	APA Corp	Oil & Gas E&P	-25.9%
483	CVS	CVS Health Corp	Healthcare Plans	-24.7%
482	OGN	Organon & Co	Drug Manufacturers - General	-23.7%
481	IFF	International Flavors & Fragr	Specialty Chemicals	-22.5%

Source: WSJ June 30, 2023

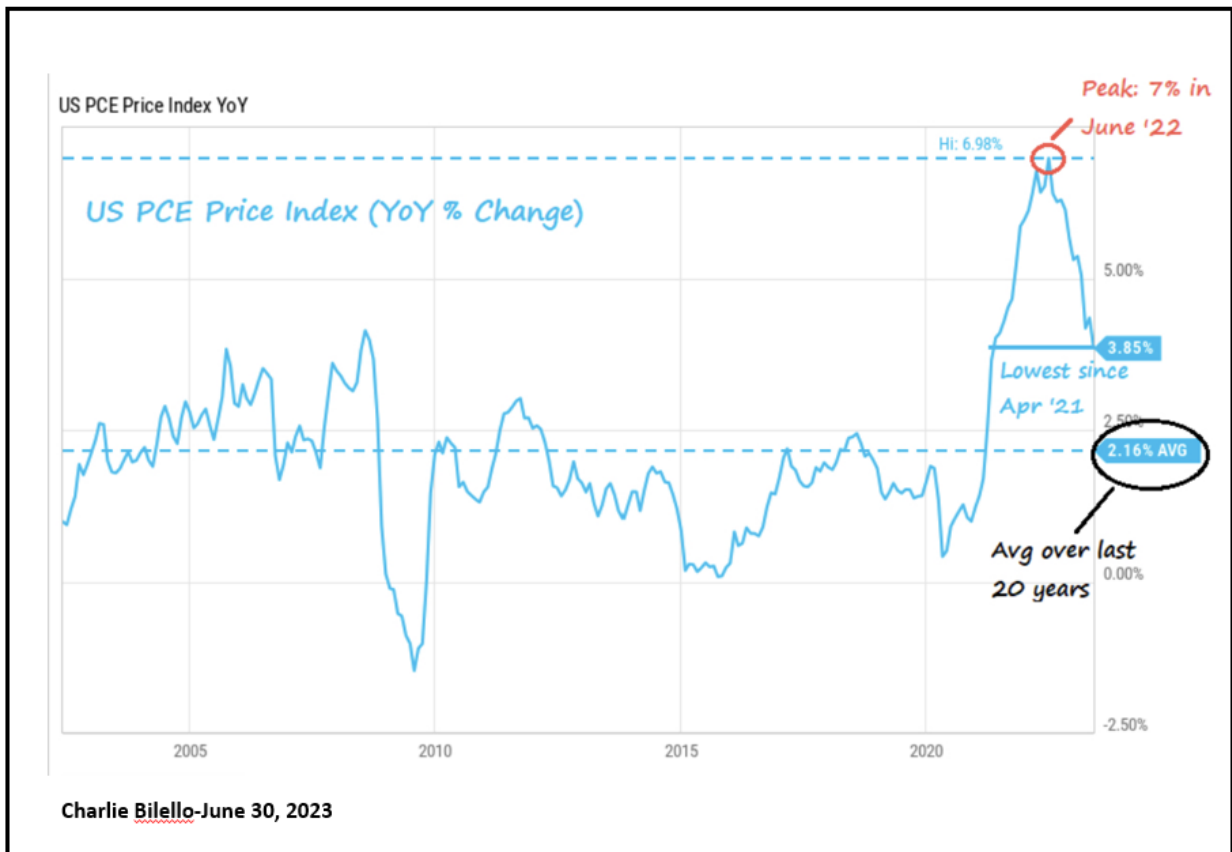
It was only a year ago that investors were concerned about a prolonged bear market and since that time investors have taken advantage of stock market dips by putting their available cash to work. We expect this theme to continue for the foreseeable future as stock market concerns have returned, in large part, based on the rise in stock prices of the Megacaps noted above.

Investors dependent on income and cash have seen yields of U.S. Treasury Bills continue to increase, too. Although the general consensus of economists expects only 1-2 more interest rate increases by year end, the Federal Reserve has quickly raised rates since December 2021. The one-year U.S. Treasury Bill currently yields about 5.4% compared to a yield of 0.4% back in December 2021.



We plan to continue investing fixed income allocations into shorter-term US Treasury Bills. Investors purchasing a one-year treasury bill today can expect to receive over \$50,000 of interest paid throughout the year on a \$1m investment instead of approximately \$4,000 on the same investment just 18 months ago. Interest rates that are higher than inflation rates won't last forever but, in the meantime, investors are enjoying the extra cash!

Back in our [May 2022 Newsletter](#) we wrote to clients about inflation noting that we believed it would ease to a range of 4-5% range over the short to mid term corresponding with Federal Reserve tightening of liquidity. Since then, inflation rates have dampened considerably because of the Federal Reserve's rate increases and the drop in oil/energy prices. The PCE index is the preferred inflation gauge for the Federal Reserve and is currently hovering around 4% compared to around 7% just a year ago, but the Federal Reserve's stated goal is to see inflation back at the 2% range.



We remain cautiously optimistic about their goal as getting the last bits of inflation out of the economy can be difficult with an uncoordinated global economy alongside increased national debt.

The market story of 2022 was largely dominated by both negative stock market returns and bond returns, unusual for a balanced portfolio. Now investors are enjoying the best of both worlds in the first half of 2023 with S&P 500 gains nearing 16% and fixed income allocations earning between 3-5% interest on their “sleep at night” U.S. Treasury Bills. Despite market swings in the short or long term, our team continues to be mindful of each client's intent – that's our #1 job and that will not change.

Finally, our team here at Kelleher Financial Advisors hopes each of you have a wonderful summer season now that the unofficial start of 4<sup>th</sup> of July is behind us. This past holiday is always a memorable part of the year as we take more time to enjoy our family and friends – and it's also a time to reflect and remain optimistic that America's best days are still to come!

My very best regards,  
Mike



**Michael Ouellette**  
Managing Director

## ON TO THE MARKETS

*Analysis and Review co-written by [Thomas Burnett, CFA](#), Vice Chairman & Director of Research and [Neil Cataldi](#), Managing Director.*

The global stock markets have displayed a robust positive recovery in the first half of 2023, as evident from the Performance Table. Led by the U.S. and Japanese markets, equities have outperformed all other investment alternatives this year. The Japanese market has benefited from a strong dollar, which weakened the yen and greatly aided large Japanese exporters and trading companies. In the U.S. market, there was a notable rebound in large-cap technology

<u>INDEX</u>	<u>% Change YTD</u>
	<u>as of</u> <u>6/30/2023</u>
Dow Jones Industrial AVG. (TR)	4.8%
S/P 500 Index (TR)	16.5%
Nasdaq Composite	31.7%
Nikkei Tokyo	27.9%
China (Shanghai)	3.6%
EURO 600	8.7%
GOLD	5.4%
Crude Oil per bbl	-12.5%
RATE on Ten-Year T Note	3.82%
VIX Volatility Index Change	-37.7%
Bloomberg Commodity Index	-10.1%

stocks like Amazon (AMZN), Meta (META), Microsoft (MSFT), and Google (GOOG). The NASDAQ 100 Index, which is comprised mostly of these large companies, recorded a stunning gain of 38.8% during the first half of 2023.

Source: WSJ.com July 1, 2023

Although interest rates remain higher compared to a year ago, they ended the period at levels similar to the end of 2022. The Ten-Year Treasury Note experienced a sharp decline in April due to the banking crisis caused by the failure of Silicon Valley and Signature Bank, but it recovered and closed the quarter around the 3.8% level observed at the end of 2022.

Equity investors were supported by two factors during this period: reduced CPI inflation numbers and healthy corporate earnings reports. In June of the previous year, the 12-month CPI rate reached 9.0%, but the latest reading for May of this year was 4.0% (BLS Report June 13, 2023). Investors are optimistic that lower inflation numbers will allow the Federal Reserve to ease its high interest rate policies.



*World Trade Center, NYC (Photo by A. Ambrosino)*

When considering corporate profits, most analysts and investors rely on the S&P 500 Index as a reliable indicator. The consensus estimates from FACTSET currently project 2023 earnings of \$220 per share, which is relatively unchanged compared to the figure from 2022. While this may not appear particularly noteworthy, the strength of earnings in 2023 has surprised many market observers and has been a significant factor driving the market's strong performance during the first half.

Looking ahead, U.S. markets continue to grapple with the ongoing battle between the Federal Reserve and elevated inflation. Although inflation metrics have moderated, the economy has yet to show significant effects from higher interest rates and remains remarkably resilient. Notably, the job market has displayed strength, with employment data remaining strong despite the rapid pace of interest rate hikes over the past 12 months. This combination of a robust job market and persistent, albeit lower, inflation provides the Federal Reserve with enough room to continue raising rates in the coming months. This divergence from previous expectations is worth monitoring as we progress through the rest of 2023. However, it is important to note that lower interest rates are no longer expected during this calendar year. Moreover, looking ahead to 2024, consensus estimates for earnings stand at \$246, representing a nearly 12% increase from the estimated earnings of 2023 and indicating a return of earnings growth in the upcoming year.

The second half of 2023 is likely to witness investors digesting the impact of higher interest rates on the economy. While the intention is for an economic deceleration, the impact thus far has been minimal. We continue to recommend balanced portfolios that include a mix of high-quality equity positions in companies capable of weathering an economic downturn, as well as a core allocation to short-term Treasuries, which are currently yielding over 5% annually.



**Thomas Burnett, CFA®**  
Vice Chairman and Director of Research



**Neil Cataldi**  
Managing Director, Starboard Advisors

## CLIENT EVENT

On May 31, Kelleher Financial Advisors hosted a client event at the Richmond County Country Club on Staten Island. Hosted by Colleen Kelleher Sorrentino, a commentary on current market conditions was given by Neil Cataldi, Managing Director of Starboard Advisors.



*Photos by S. Mankoff*



## ABOUT US

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Our firm acts as both an advisor, formulating long-term strategies, and as a manager, making specific recommendations and implementing decisions in areas such as portfolio construction, estate planning and investment management.

KFA educates our clients, communicating with them and sharing our rationale and analysis about issues that should be considered on an ongoing basis and ensuring that appropriate actions are taken. We do not sell proprietary financial products and are paid solely by our clients. In this way, KFA is able to recommend and incorporate independent investment vehicles and managers into a portfolio as needed.



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**Michael Ouellette**  
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