

THE VIEW FROM PRINCETON

Market Commentary ♦ March 18, 2024

The Great Growth Run

MARKET REVIEW – Bulls, Bears & Matadors

It is a bit jarring to realize that this investing year is already more than two months into the rear-view mirror. We are often reminded of the old saying “the days are long, but the years are short.” The pace in financial markets is swift and, especially nowadays, mirrors the pace of innovation spreading into and across society and our economy. Just in the way the steam engine, railroads, the telephone, the automobile, aviation, and the internet launched (or dragged?) us to unfamiliar places, like it or not, there is now this new thing called “Artificial Intelligence.” In retrospect, we can see all those prior advances (along with so many others) were incredibly positive for our existence even if there were moments or outcomes unforeseen.

In this way we ready ourselves to march forward with the hope that whatever comes of AI, this new force of technology will prove more benefit than detriment. From a stock market perspective, it has started that way – benefits propelling value appreciation despite misgivings about unintended consequences. Nonetheless, we must be prepared for the usual fits and starts that accompanied past breakthroughs. We have new powers, to be sure; with them will attach challenges of governance. When we leap forward in new directions, gravity has a way of fighting back.

NYSE MAC DESK: WEEKLY RECAP 3/8/2024

	Today	WTD	2024	2023
S&P 500	-0.7%	-0.3%	7.4%	24.2%
S&P 500 Equal Weight	-0.1%	1.0%	4.6%	11.6%
Dow 30	-0.2%	-0.9%	2.7%	13.7%
Dow Transportation	-0.8%	-0.7%	-1.1%	18.7%
NYSE FANG+	-2.3%	-2.8%	12.4%	96.0%
ICE Semis	-4.1%	0.6%	18.7%	65.4%
ICE Biotech	0.2%	-0.8%	2.1%	3.4%
Russell 2000	-0.1%	0.5%	3.0%	15.1%
S&P Mid Cap 400	-0.4%	1.5%	6.3%	14.4%

NYSE MAC DESK: WEEKLY RECAP 3/8/2024

Factors	Today	WTD	2024	2023
Mega Cap Growth	-1.0%	-1.5%	9.1%	66.1%
Mega Cap Value	-0.2%	0.6%	5.9%	12.9%
Large Cap Growth	-1.1%	-1.3%	9.1%	56.2%
Large Cap Value	0.0%	1.1%	5.3%	14.8%
Small Cap Growth	-0.3%	0.3%	6.5%	25.5%
Small Cap Value	0.1%	0.4%	-0.4%	11.4%
Momentum	-1.9%	-0.4%	18.3%	29.7%
High Dividend	-0.2%	1.0%	5.1%	8.7%
IPO	0.5%	1.7%	7.1%	62.4%

In this context, the months of January and February have flown past, and now we are a few short weeks from the end of the first quarter. But the fast start has delivered meaningful investment gains to individual stocks and to broader market indexes like the S&P 500 Index. As much as we are in a new year, the same trends in performance are still with us; namely, the outperformance of the S&P 500

Index over its equal-weighted cousin which emphasizes a continued concentration of performance. Looking

at factors and size influences, the growth style remains ahead of value and mega-cap companies are outperforming large caps which are still running ahead of smaller companies. Lastly, index performance remains dominated by technology and communications (there is that AI theme again) although healthcare sector performance has been broadly better after a decidedly lackluster 2023.

From our vantage point, it may simply be a matter of “the more things change the more they stay the same” coming into the orbit of FOMO. While we are all waiting for the Fed to act on prior teasers of less restrictive monetary policy (i.e., lower interest rates), it seems unlikely that stock market performance should broaden to companies more cyclical and smaller unless and until Goldilocks has found the chair, the porridge and the bed of her liking. In this market the analogues could very well be inflation/rates, employment/real GDP, and secular growth/momentum drivers for corporate revenue and profit. On those topics we have seen inflation trend better amidst strong GDP growth and firm labor markets. Resilient consumers spending steadily have linked arms (and wallets) to build the bridge from pandemic to normalization.

Our image of the bull and bear meeting in the arena where the matador conceals his advantage may be the best rendering of current market conditions. Until something comes along to force change, “The Great Growth Run”¹ remains a persistent market theme.



¹ “The Great Growth Run & a Peek at Forsaken Dividend Stocks”, Kailash Concepts LLC, 1/25/2024.

CLOSING THOUGHTS

We like the positioning of our portfolios and how they offer diverse pathways toward performance that showcases major areas of innovation in our economy and in our lives. The two are inextricably linked. From technology to healthcare and through many places in between, companies are on the march toward new products and services at scale. We see this as a rich environment for investments that match our time-tested philosophy and process, and we have no shortage of ideas in the pipeline alongside high conviction current holdings.

At the same time, we are alert to external forces and political developments that may present moments when the market pauses or corrects. Pullbacks in any particular year are common. We expect them, but they do not weaken structural demand drivers carrying our investments through volatility and across business cycles. Secular growth as a driver of secular investment performance is our north star. We continue to focus our investments in this way.

As always, please do not hesitate to reach out to us with questions, comments, or just for conversation. We have built a strong investment management firm around the free-flowing exchange of ideas and this extends to valued clients and friends.

Princeton Capital Management

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