

Raymond F. Saleeby, Jr  
President

# Saleeby & Associates, Inc.

Where Trust And Confidence Are Paramount™

## Market Update

November was quite a month for the bond and stock market. The S&P rose 10% from its October 2023 lows. The 10-year treasury note touched 5% in October, nearly a two-decade high. “To review, the benchmark 10-year Treasury yield fell 52.5 basis points in November, the biggest one-month drop since August 2019, to 4.349%, according to Dow Jones Market Data. (A basis point is 1/100 of a percentage point.)”<sup>1</sup> I think this occurred because investors thought the Fed was done raising interest rates after the past 18 months of increases, plus additional signs of inflation abating and the economy slowing down. The biggest questions now are: will we have a soft landing and when will the Fed cut rates without jeopardizing inflation from coming back.

I believe the stock market rose in November from a positive reaction to lower interest rates rather than a perceived increase in earnings. As I have said before, the two main long-term drivers of the stock market are earnings and interest rates.



Secondly, there has been an incredible divergence from the tech-weighted Nasdaq index and a broader Russell 2000 index. This happened due to the “Magnificent Seven” performance that has skewed the technology index in an upward fashion for most of the year while the breadth of the stock market has been suffering. I still believe the Federal Reserve will not be able to sustain a 2% inflation rate for the economy over the long-term. If we go into a recession, this can be easily attainable in the short term. However, our country is incredibly divided in so many ways: politically, economically, socially, generationally... There will be very little bipartisan support to increase taxes and cut expenses/entitlements. Currently the Federal debt is almost \$33 trillion and interest expense has exploded on that debt. Long-term, I believe the only way for the government to operate is to inflate our way out long-term. Nevertheless, my best guess is the long-term inflation rate will be 3 - 3 ½ percent. Unfortunately, the great inequality that we have in our country and other countries will probably continue to get worse in these conditions.

“Valuable insights  
into the minds of  
successful investors.”

While the economy is important (especially with the effects of interest rates and on earnings), I believe it is only one of many indicators to impact the stock market. Furthermore, it is difficult, if not impossible, to predict the economy and stock market. Buffett and Munger have taught me to buy pieces of the business and hold them for the long-term instead of buying stocks. These companies must have pricing power, barriers to entry, sustainable business plans... I believe the vast majority of companies do not. To gain an advantage, one needs to read a lot, do research, and develop the right temperament and wisdom to think long-term. This is what I strive to do every day. I try to learn from my and others’ mistakes and accomplishments.

## Farewell to Munger

Sadly, the world lost one of the greatest minds and stewards of capitalism, Charlie Munger. He passed away at the age of 99 shortly before his 100<sup>th</sup> birthday. For over 50 years, he ran Berkshire Hathaway with Warren Buffett. He was known as Warren Buffett's business partner, best friend, confidant, and sounding board. In fact, he was able to change Warren Buffett's investment philosophy. For many years, Warren Buffett followed a deep value philosophy that was learned from the likes of Ben Graham. They would buy deeply discounted, out of favor businesses that were good businesses at cheap prices. Charlie Munger convinced Buffett to buy great businesses at fair prices. I believe they complimented each other in so many business and social ways, which is one of the reasons why Berkshire Hathaway shareholders have been rewarded over time.

Charlie Munger defied conventional wisdom when it came to health and age. He was still brilliant and outspoken until the day he died. He lived up to his reputation of being the "Oracle of Pasadena". In fact, he tried to pattern his life after his hero, Ben Franklin, a great American hero. Buffett and Munger each lived in the same house for over 60 years. Munger was a lot more generous than Buffett earlier on and in some ways more frugal, especially when it came to transportation. They were very different politically but admit to never having an argument in 60 plus years. Maybe our politicians could learn from these two great gurus on how to communicate and compromise. Buffett was always more diplomatic while Munger was more honest and outspoken. In my opinion, these are two of the wisest and most intelligent people and their communications will be studied for generations to come. Since Munger is no longer with us, Buffett is left to carry on their legacy for Berkshire shareholders. Unfortunately, Warren Buffett is not a whole lot younger than Munger and their chemistry together is probably difficult to duplicate.



## Conclusion

We should all be very grateful that America possesses the best opportunities to succeed and prosper. With all the divisiveness we see in the media, we need to stop and realize that, while our country has many faults, it is by far the greatest country in the world.

As we approach the end of the year, we are thankful for many things. One item many of us take for granted is our freedom, which is unparalleled anywhere else in the world.

At Saleeby and Associates, we wish you and your family happy holidays and a healthy and prosperous New Year. We want to thank you for allowing us to be your steward of your capital and for the confidence bestowed on us.

Optimistically Yours,

Raymond F. Saleeby  
President

## Footnotes

1. Forsyth, Randall W. (01 Dec 2023). "Bonds just had their best rally since the 1980s. The music's about to stop". Barron's Advisor. Retrieved from <https://www.barrons.com/articles/bonds-best-rally-since-1980s-1ffdb5b7?siteid=yhoof2> 2 Dec 2023

## Did You Know

Warren Buffett's deputy spoke about his 'tiger mom,' taking risks, and having a short seller's eye. Here are Todd Combs' 8 best quotes from a new interview <https://africa.businessinsider.com/markets/warren-buffetts-deputy-spoke-about-his-tiger-mom-taking-risks-and-having-a-short/c0nydc2.amp>

What Charlie Munger's death means for Berkshire Hathaway  
<https://www.barrons.com/articles/berkshire-hathaway-stock-charlie-munger-e1d37abb>

Why it's so hard to copy Charlie Munger's secret sauce  
<https://www.wsj.com/finance/stocks/why-its-so-hard-to-copy-charlie-mungers-secret-sauce-3f179eed>

Charlie Munger once talked about Warren Buffett's '20-slot' rule on successful investing. Here's how it works. <https://markets.businessinsider.com/news/stocks/warren-buffett-investing-strategy-charlie-munger-20-slot-rule-berkshire-2023-11>

Charlie Munger, half of a legendary partnership, dies at 99  
<https://www.fool.com/investing/2023/11/28/charlie-munger-appreciation/>

The pace of technology adoption is speeding up (chart)  
<https://ritholtz.com/2023/11/weekend-reads-591/>

Charlie Munger was still a master of the one-liner in his 90s, calling crypto 'venereal disease' and AI overhyped  
<https://markets.businessinsider.com/news/stocks/charlie-munger-dies-warren-buffett-berkshire-hathaway-bitcoin-crypto-ai-2023-11>

Berkshire Hathaway's Charlie Munger was a journalist's dream: He never held back  
<https://www.barrons.com/articles/charlie-munger-remembrance-f8c84bfa>

Charlie Munger's 'great lesson' of life: Cut out toxic people  
<https://africa.businessinsider.com/markets/charlie-mungers-great-lesson-of-life-cut-out-toxic-people/gxjcrk3>

Charlie Munger's life was about way more than money  
<https://www.wsj.com/finance/investing/charlie-munger-life-money-ae3853ad?siteid=yhoof2&ypr=yahoo>

What you need to earn to own a home  
<https://ritholtz.com/2023/10/cost-own-home/>

Patients are lining up for \$2,500 full-body MRI scans that can detect cancer early  
<https://www.cnbc.com/2023/11/10/prenuvo-offers-2500-full-body-mri-scans-that-can-detect-cancer-early.html>



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## Saleeby & Associates, Inc.

Achieving your goals is our passion

11301 Olive Blvd.  
Creve Coeur, MO 63141  
Phone: 314-997-7486  
Fax: 314-997-1417  
E-mail: [rsaleeby@cutterco.com](mailto:rsaleeby@cutterco.com)

**Check us out at  
[saleebyandassociates.com](http://saleebyandassociates.com)**

