BRANDON SCHEITLER ON RELEVANT RADIO MORNING AIR

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John Morales: Good morning, Brandon. Thanks so much for joining us. It is good to be with you once again.

Brandon Scheitler: Good morning, John. It's good to be on the show again.

John Morales: Absolutely. Any thoughts on the big day yesterday in the Dow Jones Industrial Average?

Brandon Scheitler: Yeah. It took a lot of investors off guard. If you looked at futures right before the meeting, a lot of people were expecting two rate cuts from the Fed next year. When the dot plot came out from the Fed, it looked like there was about three priced in. Or at least that's what the governors were thinking for next year. So, the market reacted accordingly as you saw the Dow up tremendously. And in every other index up.

John Morales: Uh, a little injection of optimism as we close out the year and head into next year. Let's take a just a brief look back at 2023. What is your take on how this year began and how we're about to finish the year?

Brandon Scheitler: Yeah, I mean, the way it began, it was pretty pessimistic. If you kind of look back to where we were this time last year, you had runaway inflation. The Fed was kind of behind the eight ball and increasing interest rates to knock that inflation down. Wall Street was really bracing for a recession. Corporate earnings looked like they were going to be kind of rough in the second quarter, third and fourth quarter of 2023. And really, that wasn't the case. As far as earnings go, the third quarter surprised a lot of folks. And corporations were a little bit more optimistic and continued to guide higher as the third and fourth quarters went on. And you see in the rally since the beginning of

November, it's really been tremendous. I think the S&P 500 was up some 8% in November. And then December was another great month as well.

John Morales: Well, I want to invite our listeners, if you want to chime in. We're looking back at the economy, the financial markets here 2023. If you want to be part of our conversation with Brandon Scheitler, the lead portfolio manager of the Ave Maria Bond Fund, we're looking back at the markets. Do you think that our economy will continue to get better in 2024? We're taking your calls on our Catholic Order of Foresters toll free line. 888-914-9891 If you have any perspectives or thoughts that you want to share. Brandon, I could tell you that as I drive to work, I always take a peek at the at the local gas station here in suburban Chicago on my way to the office. And lately I've seen the price of gas coming down under $3 a gallon. So that's a little bit of optimism from that area.

Brandon Scheitler: Yeah, I mean as far as inflation goes, that certainly helps out. It's nice to have a few extra bucks, especially around this time of the year. If you look at consumer sentiment, it bounced back last month and it continues to kind of march higher. And it's because the markets are up, gas prices are down. It looks like inflation, while still kind of pesky last reading was at 3%. It's a far cry from the 8 or 9% we were seeing in the summer of 2022.

John Morales: No question about it. What about stocks? What is your take on stocks? I know we've kept an eye on the technology stocks, which have done pretty well.

Brandon Scheitler: Pretty well is an understatement. They've done exceptionally well. You may have heard of The Magnificent Seven. That's a group of large cap technology stocks, and they've really driven the performance of the Nasdaq and the S&P 500. And in fact, you can attribute roughly 70% of the gains in the S&P 500 to those seven stocks. So, they've all done exceptionally well. Some are up over 100%.   I don't think there's one in the group that's up less than 50%. So, they've really driven the performance of the market this year for sure.

John Morales: What about the S&P 500 and the Nasdaq. Your take on where we're at?

Brandon Scheitler: Yeah, if you look at P/E ratios on a trailing basis, the valuation on stocks is right in line with where they have been historically. So, it doesn't look like things are overcooked at this point. It doesn't look like tremendous value either, but kind of middle of the road. I'd like to caveat that with don't try and time the market. We have a piece on our website. If you miss out on just a few, a few big up days, you could really ruin long time results. So, I'd say if you have a game plan, stick to it and continue to work and continue to invest in the markets.

John Morales: And in terms of the housing market, do you think that we're going to be seeing lower interest rates in housing?

Brandon Scheitler: Yeah, mortgage rates are tied to the ten-year US Treasury that has come down substantially. We were north or right around 5% I believe in the August, September time-frame. This morning we're at 3.9% and change. So that's come down quite a bit. I think mortgage rates are kind of in lockstep or down as well leading me to think that they'll probably come down, certainly giving a shot in the arm to the housing market. I know a lot of folks are locked in low interest rates over the years. So, if they've wanted to move or change houses, they've kind of stayed put. So that could free things up and certainly help the market. Because when you move into a house, what do you do? You put paint on the walls. Sometimes there's big projects, but, you know, a lot of those smaller projects, you're running Home Depot and Lowe's, and you know, those things matter, and they matter to the economy as well.

John Morales: Brandon, why do you think that the interest rates for mortgages have come down now under 4%?

Brandon Scheitler: Oh, that's the ten-year US Treasury, John. It's the outlook for the future. The Fed seems to think that inflation is in check. That's going to enable them to lower interest rates next year. At least that's the forecast as of now. Obviously, this is all subject to change. And sometimes it changes on a daily basis, and it usually does. Investors' expectation about the future that inflation is in check and interest rates are going to go lower.

John Morales: Now, as the lead portfolio manager of the Ave Maria Bond Fund, obviously you pay attention to the bond market. Can you share with us how the bonds have done?

Brandon Scheitler: Yeah, it's been a roller coaster ride for bonds the last couple of years. Obviously, their price is directly tied to interest rates. Interest rates have gone up substantially. But, you know, it created great opportunities for long-term investors. You could lock in higher rates throughout the year. Rates that haven't been seen in in 20, 30 years. So, it made sense to go in and buy kind of intermediate to a little bit longer dated bonds as those offered yields that we haven't seen in a while.

John Morales: All right. Let's switch gears and try to look ahead to 2024. What has been forecasted for corporate earnings?

Brandon Scheitler: Yeah, corporate earnings look very robust. In fact, analysts and companies are forecasting roughly a 12% earnings growth next year. So that's a pretty good year. Corporations are starting to re-initiate buyback programs that could be additional fuel to the market as well. So corporate earnings held up tremendously this year. There was a lot of fear that inflation would dip into margins. Margins remained healthy throughout the years so that it really exceeded expectations. And then next year so far looks like it might be a pretty good year.

John Morales: And then do you think that interest rates will continue to go down?

Brandon Scheitler: Oh, according to the Fed. Yes. Obviously, inflation is still there, John. They have a 2% self-imposed target. They're still north of that at 3.1% at last reading. There are a few things that could prop that higher. Obviously, if lower interest rates do revive the housing market. That's a heavy component in the CPI index. So, it's going to be tough to say. But yeah, I mean as of right now it looks like interest rates are going down next year, at least according to the Fed.

John Morales: And obviously a lot of folks are keeping an eye on the labor markets. What can you tell us? What's your take on the labor markets? Is that going to improve, in your opinion, in 2024?

Brandon Scheitler: Well, the labor market really post Covid has been pretty tight. And right now, there's still more job openings than folks unemployed. And if you look at the labor force participation rate, it's actually been marching up. So, it's kind of pulling folks that have been on the sideline. They could be either stay at home parents or folks that maybe retired a little early and decided, hey, maybe I want to get back into the workforce or even younger folks. So, the labor market still looks pretty decent, and you've probably seen the various strikes that have occurred this year. So, kind of that middle income is seeing a bigger boost in pay as well, even more so than the folks that are kind of in the top decile of earners. So, looking forward, the labor market still looks pretty strong at this point.

John Morales: And here we've got only a few moments left. Your thoughts on the upcoming presidential elections in 2024. Do you think that this will affect the economy?

Brandon Scheitler: Yeah, if you look historically, the folks in Washington want to be reelected. And, in election years, they tend to ramp up fiscal spending. And there's already some talk of some tax cuts. It seems unanimous across the board, both Republican and Democrat, that they want to go through with that. Obviously, they have different approaches. The Democrats more on the tax cut on the individual, uh, the child tax credit and the Republicans repealing a portion of the 2017 tax bill that included on the corporate side, the way they could expense research and development.

John Morales: Well, we've got a long way to go until November, but I really appreciate your perspective here this morning on where we've been and where we are headed. Where can our listeners go to learn more about the Ave Maria Mutua Funds?

Brandon Scheitler: You can go to our website. It's www.avemariafunds.com. Or if you'd like to speak to somebody, we have an 800 number. It's 866-AVE-MARIA.

John Morales: Brandon, thanks so much for being with us. Have a blessed rest of advent and a merry Christmas. We'll see you next year.

Brandon Scheitler: Thanks, John.

John Morales: Brandon Scheitler, the lead portfolio manager of the Ave Maria Bond Fund. And now it's time for another episode of Glenn Storey Corner.

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