



October 2024

“Will it play in Peoria?” That wonderfully alliterative question originated in the show business community. A show that might “knock ‘em dead” in New York might not be so popular in the rest of the country. We live in a big nation. While there is a commonality that binds us together, there are meaningful cultural differences. New York, Philly, Boston, and Miami all have their unique qualities, as do Houston, Denver, San Francisco, and LA. As I travel the country I’ve come to admire and enjoy all these mini cultures.

I’m thinking about Peoria, Illinois, because I’ll be visiting that town soon. I’ve been travelling there regularly for about 25 years because of the many friends and clients I have there. What gave rise to the idea that if a show does well in Peoria it will do well anywhere? Like much of the Midwest, Peoria is a place of easy-going, but hard-working and friendly people; people who don’t mind being characterized by words like *calmness*, *perseverance*, and *normal*. In a country where so many people seem to be lined up on the extremes of anything, Peoria provides a delightful *middle*. It’s neither too high nor too low. If the Peorians like it, mainstream America will love it!

What’s the point of this paean to a Midwestern disposition? I think it is the ideal temperament for successful long-term investing, and you don’t have to be from the Midwest to develop it. It’s important not to let oneself get too excited about something great or get too depressed about a negative development. I believe keeping one’s emotions in check is the single most important thing an investor can do. Investing should be a rational, thoughtful endeavor.

I’ve written before that the same emotions that make us human can be the enemies of successful investing. Emotional extremes generally lead to irrational decisions. There may be many reasons to get emotional about this year’s election, but, in my opinion, the impact on your portfolio should not be one of them. Neither party seems particularly interested in reducing federal spending or substantially increasing the tax burden on the US economy. Thus, we expect federal deficits to remain large no matter which party controls the purse. Both parties are likely to continue tariffs on a variety of Chinese goods destined for the US. Whatever their differences on non-economic issues, we expect that these economic policies, which we believe are inflationary, will remain in place.

As I discussed at length in my last letter ([July 2024](#)), the factors that have made the US an extraordinarily good place to invest are still in place and not likely to be affected by the national election. The recent *Confluence Asset Allocation Bi-Weekly* from [September 30, 2024](#), exhibited data since 1930 indicating that stock market returns have shown virtually no preference for which party was in power.

I repeat what I wrote last quarter, quoting my letter from October 2020: *The stock market is neither Republican nor Democrat but is solely interested in making money. In my opinion, the current environment is well-suited to doing just that, regardless of who wins the election.*

As we've said for several years, we expect inflation rates to remain above the average of the last decade for the foreseeable future. In our opinion, this should be the investor's primary concern. Our investment strategies, be they domestic equities, international equities, or asset allocation portfolios, have this expectation in mind: that inflation is likely to remain higher than investors expect. The professionals at Confluence Investment Management have experience investing in rising inflation environments. It's not unknown to us, like Peoria.

We appreciate your confidence in us.

Gratefully,

Mark A. Keller, CFA  
*CEO and Chief Investment Officer*

*This letter was prepared by Mark Keller of Confluence Investment Management LLC and reflects the current opinion of the author. It is based upon sources and data believed to be accurate and reliable. Opinions and forward-looking statements expressed are subject to change. This information does not constitute a solicitation or an offer to buy or sell any security.*