



## January 2024 - HAPPY NEW YEAR!!!!!!

### Market Update

(all values as of  
12.31.2023)

#### Stock Indices:

Dow Jones	37,689
S&P 500	4,769
Nasdaq	15,011

#### Bond Sector Yields:

2 Yr Treasury	4.23%
10 Yr Treasury	3.88%
10 Yr Municipal	2.27%
High Yield	7.39%

#### YTD Market Returns:

Dow Jones	13.70%
S&P 500	24.23%
Nasdaq	43.42%
MSCI-EAFE	15.03%
MSCI-Europe	16.68%
MSCI-Pacific	12.07%
MSCI-Emg Mkt	7.04%
US Agg Bond	5.53%
US Corp Bond	8.52%
US Gov't Bond	5.72%

#### Commodity Prices:

Gold	2,071
Silver	24.02
Oil (WTI)	71.33

#### Currencies:

Dollar / Euro	1.10
Dollar / Pound	1.27
Yen / Dollar	140.98
Canadian /Dollar	0.75

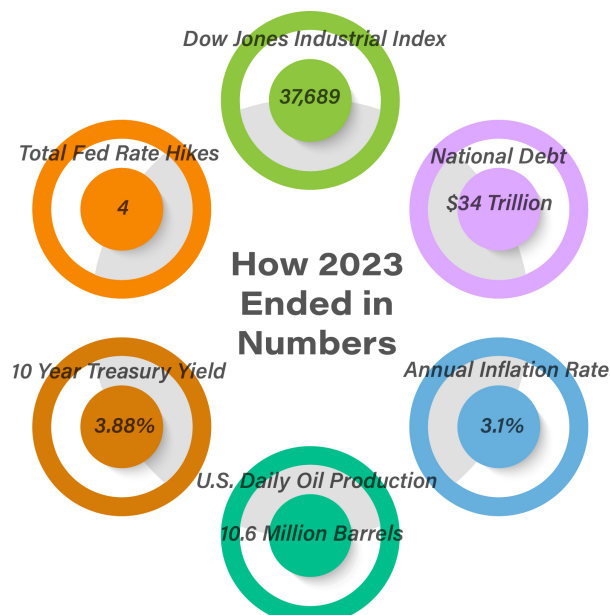
**Macro Overview:** Our positioning last year broadly benefited our clients investment outcomes. In fact, our average client balanced portfolio (stock & bonds) increased by roughly 15% during 2023, whereas more aggressively postured client model portfolio returns averaged 20-25%. Not bad considering most economist and financial market forecasters had projected a US recession for 2023 – a view that I strongly disagreed with. It's hard to have a recession when you have full and growing employment, coupled with stable and growing corporate earnings.

This past year witnessed one of the most ambitious executions of interest rate hikes by the Federal Reserve in recent history, with rates rising four times in 2023. Optimism swarmed throughout the markets as equities and bonds rose in a rare convergence. Stocks and bonds have historically tended to drift in opposite directions.

Inflation-themed concerns during 2023 have led to more deflationary considerations heading into 2024. China's deep economic depression is a silver lining for most external economies, as Chinese manufacturers and exporters are slashes prices. Essentially, they are exporting much needed deflation – a welcomed situation for much of the global economy.

Geopolitical tensions carried over from 2023, as the invasion of Ukraine and the Middle East conflict continue to weigh on financial markets. The two hostilities continue to hinder supply constraints in various regions as well as fostering uncertainty. Russia's invasion of Ukraine directly affects Europe while the Middle East conflict is disturbing shipping routes through the Red Sea and Suez Canal.

Bank failures occurring at the beginning of 2023 made it one of the worst years for bank collapses in history. Three of the top five bank failures ever occurred in 2023, as the demise of Silicon Valley Bank, Signature Bank, and First Republic Bank totaled over \$350 billion in assets. As I asserted last March, the swift actions of the Treasury and Federal Reserve effectively contained that brushfire before it spread.



The U.S. exported approximately 75% of total domestic oil production in 2023, supplying both developed and emerging countries worldwide. Supply constraints for oil may pose a challenge as a result of worsening shipping disruptions in the Middle East, affecting prices globally.

Total Federal Debt for the U.S. reached \$34 trillion at the end of 2023, up from \$27.6 trillion at the beginning of 2021. Rising rates this past year have added additional debt costs for the U.S. government as interest expenses on outstanding U.S. debt has risen substantially.

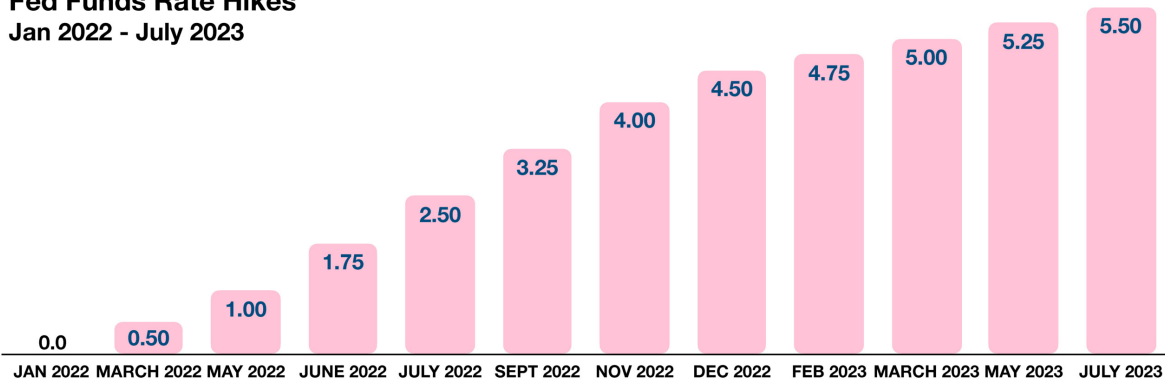


### The Fed Hikes Rates Four Times In 2023 – Bond Market Overview

The Federal Reserve raised rates eleven times between 2023 and 2022, increasing the Fed Funds rate from 0% at the beginning of 2022 to 5.5% at the end of 2023. Expectations are that the Fed will begin easing rates in 2024, reversing its tightening monetary policy. Consensus view is for 4-6 rate cuts. I think we will likely experience 2-3 rate cuts. The economy is sufficiently strong to avoid a slowdown that would require more rate cuts than my baseline forecast. Lower consumer and mortgage rates are expected to materialize as the Fed eases – broadly benefiting housing sales and associated economic growth.

Fed influenced rate reductions among other central banks globally is creating a lower rate scenario in 2024. The European Central Bank (ECB) as well as the central banks of Canada and England signaled a continued easing of rate policy in 2024.

**Fed Funds Rate Hikes**  
Jan 2022 - July 2023



A unique dynamic started to occur in the 4th quarter of 2023, with Treasury yields and commodity prices falling in tandem. Some economists perceive this dynamic as deflationary in nature, adding to an eventual lower rate environment – I agree. Diminished inflation concerns have also led the Fed to project possible lower rates as the year progresses. The yield on the 10-year Treasury bond ended 2023 at 3.88%, down from 4.95% earlier in October.

### Stocks Finish 2023 On A Positive Note – Global Equity Review

Major global equity indices experienced a reversal in performance towards the end of 2023 relative to earlier in the year. Domestic indices including the Dow Jones Industrial Index and the S&P 500 Index, finished the year positively, along with international indices including the Japanese Nikkei 225 and the German DAX.

Seven stocks accounted for roughly half of the return for the S&P 500 Index in 2023. Such a disparity can distort the actual representation of the index, with only seven stocks representing such a large portion of returns relative to the other 493 stocks within the index. Information technology stocks contributed the most to the performance of the S&P 500 Index, accounting for approximately half of the indices’s return in 2023.

Sources: S&P, Bloomberg, Reuters, <https://fred.stlouisfed.org/series/SP500>

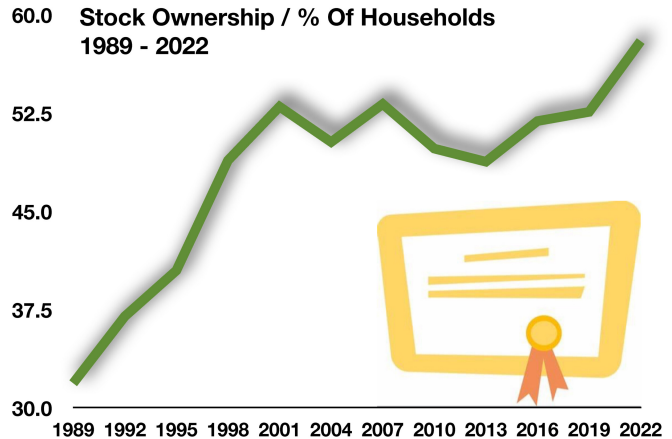


**More U.S. Households Own Stocks – Consumer Finances**

A recent survey conducted by the Federal Reserve, called the Survey of Consumer Finances has identified that 58% of U.S. households own stocks, up from 53% in 2019. The findings released in the fall of 2023 reflect the most available data from 2022. The same survey identified that 52% of households owned stocks in 2019, validating a gradual increase in stock ownership over the past few years.

Equity ownership varies among households, varying by age and income across the country. The survey did find that the bulk of equity holdings remains concentrated with older and higher income households. The survey includes consumer household accounts holding individual stocks, mutual funds, and Exchange Traded Funds (ETFs).

Source: federalreserve.gov



**Market Performance During Presidential Election Years – Political Dynamics**

Election year markets are always a quandary, as candidates propose economic and fiscal plans in order to boost the nation’s economy. Interestingly enough, political parties have had nearly no bearing on market performance during election years as far back as 1928.

Federal Reserve policy during an election year can be construed as politically influenced, even though the Fed’s stated disconnect from the administration and political sway is clearly defined. The Fed has risen interest rates 60% of election years since 1928, with varying political parties in office. The average return for the S&P 500 Index since 1928 during an election year has been approximately 11.25%.

A multitude of factors affect presidential elections, including fiscal and tax policies, foreign policy initiatives, social programs, and economic stimulus objectives. Congressional control of the House and Senate are also a factor during elections, as some states strive to either synergize or disconnect from Federal initiative. (Source: Federal Reserve Bank of St. Louis)

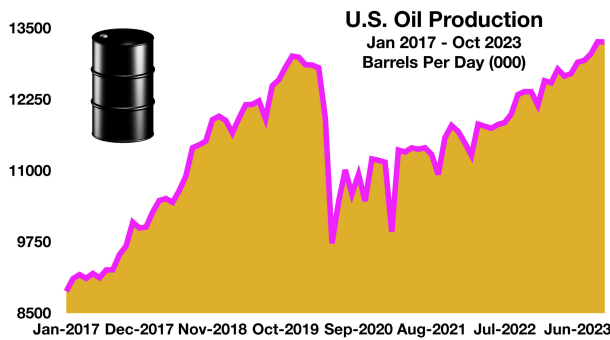
Elected President	Year	S&P 500 Annual Total Return
Hoover	1928	43.6
Roosevelt	1944	19.8
Kennedy	1960	0.5
Nixon	1968	11.1
Carter	1976	23.8
Reagan	1980	32.4
Bush	1988	16.8
Clinton	1996	23.1
Bush W.	2004	10.9
Obama	2012	16.0
Trump	2016	12.0
Biden	2020	18.4



**U.S. Oil Production Reaches Another Record – Commodity Sector Overview**

Despite efforts to curtail oil consumption and production of domestic oil, the U.S. achieved another record producing year in 2023. With over 13 million barrels of oil produced per day, the U.S. continues to be the worlds largest producer, eclipsing Russia and Saudi Arabia as a distant second and third. The United States has ranked as the world’s top oil producer since 2018.

The U.S. shale industry, known for its fracking technology to extract oil from shale rock formations, has continued to surprise the world oil markets with its resistance to varying prices. U.S. drillers have thus far been able to beat Saudi Arabia’s “pump and dump” strategy over the past few years to lower oil prices in order to maintain market share.



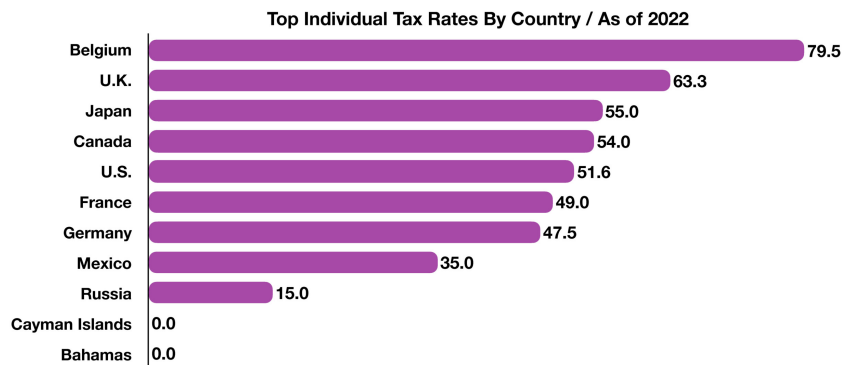
Global demand for oil has been steadily increasing for the past two decades, with a slight pullback during the pandemic in 2020. The broadening demand has been from both developed and emerging economies, as the reliance on crude oil and gasoline remains intact worldwide. The United States has become one of the top five exporting oil countries, with over 10 million barrels exported each month,

representing two thirds of total U.S. production (Source: U.S. Energy Information Administration; U.S. Field Production of Crude Oil)

**Global Tax Rates On The Rise – Global Tax Policy**

Governments worldwide rely on tax revenue in order to fund government expenses and operations. Tax policies and initiatives vary from country to country depending on the economic prosperity and health of the country’s economy. Developed countries tend have more comprehensive and structured tax policies in place, relative to emerging market countries.

The recent rise in interest rates worldwide has led to a higher cost of governments issuing debt, thus prompting governments to instead resort to raising taxes. France, Japan and South Korea are among countries with increasing tax revenue in lieu of issuing additional government debt. Certain developed economies are also seeing an increase in labor force participating rates, including France, Germany, Italy, and Japan. Increasing participating rates tend to increase tax revenues as more workers add to the tax revenue base. (Sources: OECD; Tax On Personal Income Publication)



Market Returns: All data is indicative of total return which includes capital gain/loss and reinvested dividends for noted period. Index data sources; MSCI, DJ-UBSCI, WTI, IDC, S&P. The information provided is believed to be reliable, but its accuracy or completeness is not warranted. This material is not intended as an offer or solicitation for the purchase or sale of any stock, bond, mutual fund, or any other financial instrument. The views and strategies discussed herein may not be appropriate and/or suitable for all investors. This material is meant solely for informational purposes, and is not intended to suffice as any type of accounting, legal, tax, or estate planning advice. Any and all forecasts mentioned are for illustrative purposes only and should not be interpreted as investment recommendations.