

3rd Quarter 2023



## THE WATER STREET JOURNAL DANIELLE VALLEAU

Financial Advisor

Securities offered through Raymond James  
Financial Services, Inc. Member FINRA/SIPC

Guiding and giving direction through all  
of life's adventures...

*"As you walk down the fairway of life you must smell the roses, for you only get to play one round." ~Ben Hogan*

### Staying In Touch

#### CALENDAR OF EVENTS

OUR OFFICES WILL BE  
CLOSED:

MONDAY SEPTEMBER 4TH

THE MARKET WILL BE  
CLOSED:

MONDAY SEPTEMBER 4TH

ANNETTE WILL BE OUT  
OF THE OFFICE:  
AUGUST 17-25

### Did You Know?

#### We can help you plan...for Life

Life events often have a number of financial planning implications that need to be considered. Partnered with Raymond James, we provide support around these events and work with you through short-term obstacles to keep your long-term plans intact. When faced with any of the following expected or unexpected changes, we are here to help you navigate.

- Career Change
- Death of a Loved One
- Marriage
- Selling a Business
- Divorce
- Transitioning to Retirement

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Life...Live It!!

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PO Box 2586 320 Water St, 1<sup>ST</sup> Floor Augusta, ME 04338 (207) 707-5707

## From Danielle's Desk: June market review

The bear may have entered hibernation in June, but can we now count a bona fide bull? That may be overselling it. Equities capped off a remarkable first half of the year by continuing to gain value even as the Federal Reserve (Fed) signaled that its inflation-fighting program could yield two more rate increases in 2023. But with a long-expected recession still failing to appear, investors seemed to focus, instead, on the possibility of a pain-free untying of 2022's post-COVID tangles.

"The equity market behaved surprisingly well given that it went from expecting rate cuts in 2023 to having them pushed out until 2024," said Raymond James Chief Investment Officer Larry Adam. "A better-than-expected first quarter earnings season, decelerating inflation, growing optimism about a soft, non-recessionary landing and the AI-powered tech rally have been key drivers behind the recent upswing."

The tech-heavy NASDAQ saw its best first half of the year in four decades, rising almost 30% year-to-date.

Despite these gains, near-term caution is warranted. The recent surge in investor optimism suggests the market may be due for a pullback. Meanwhile, bond yields – primarily at the front end of the yield curve – backed up in reaction to the Fed's increased hawkishness, and the yield curve remains deeply inverted, which suggests a coming recession.

We'll dive more into that and more on the other side of the numbers:

	12/30/22 Close	6/30/23 Close*	Change Year to Date	% Gain/Loss Year to Date
DJIA	33,147.25	34,407.60	+1,260.35	+3.80%
NASDAQ	10,466.48	13,787.92	+3,321.44	+31.73%
S&P 500	3,839.50	4,450.38	+610.88	+15.91%
MSCI EAFE	1,943.93	2,113.59	+169.66	+8.73%
Russell 2000	1,761.25	1,888.73	+127.48	+7.24%
Bloomberg Aggregate Bond	2,048.73	2,085.33	+36.60	+1.79%

\*Performance reflects index values as of market close on June 30, 2023

### Inversion suggests recession

Yield curve inversions – when short-term yields are higher than long-term yields – can be an indicator of a looming recession. The average depth of the last four inversions that signaled coming recessions was -60 basis points (bps) when comparing yields on 10-year Treasuries to 3-month Treasury bills. We currently sit at -172 bps. This could get potentially steeper if the Fed follows through with raising interest rates one or more times.

Perhaps more significant is the length of time the yield curve has been inverted. Before the last four recessions, the average time the yield curve was inverted was 189 days – including the 337 days before the Great Recession. The length of the inversion may signal a more meaningful degree of impact on the economy than the depth does. At 247 days through June 30, the length of the current inversion is well past the average.

### Inflation cooling, but slowly, and housing stable

Indicators suggest shelter costs will start slowing down considerably, which may convince the Fed to make only one more rate increase before the end of the year. Inflation related to shelter costs is expected to slow at a faster pace during the second half of the year. Meanwhile, housing market data continues to indicate that the sector stabilized during the first half of the year. However, higher mortgage rates could hit the sector once again as the Fed continues its interest rates campaign.

### Meetings signal U.S.-China de-escalation

Secretary of State Anthony Blinken's visit to China in June may be another step toward easier relationships between the world's No. 1 and No. 2 economies. The trip, taken ahead of a potential meeting between President Joe Biden and President Xi Jinping, suggests we have passed the peak of escalating rhetoric and counterpunches following tensions earlier this year. Treasury Secretary Janet Yellen has plans to meet with her Chinese counterpart in July.

### Spotlight on India

India has enjoyed attention from financial markets as investors increasingly looked to it to surpass China as the world's growth engine. Prime Minister Narendra Modi's high-profile visit to Washington, D.C. – with accompanying sweeping agreements on trade and defense – suggests that India will eventually drop its nonaligned stance with regards to the West, China and Russia, and build closer ties to the Atlantic world. For U.S. interests, "friendshoring" offshore economic activity provides a compelling alternative to complicated relationships with Chinese manufacturing hubs.

### It's been hot all over

Extreme heatwaves have flared across the northern hemisphere since April, and the U.S. Southeast ends June amid a dangerous rise in temperatures. China, Vietnam, Thailand, Spain, Portugal, Texas and Louisiana have hit record or near-record temperatures. July and August are likely to be even tougher. Water scarcity in high-temperature, high-population areas is a growing concern, pointing to a need for diversifying potable water sources. Wastewater reclamation and desalination are proven options, but the scale-up of both can be slow.

### The bottom line

Though market sentiment seems driven by optimistic economic expectations, the Fed remains committed to tightening the money supply to battle inflation. Historically, the impact of an interest rate hike lags. Meanwhile, leading economic indicators and the yield curve are at levels historically consistent with a recession. Unique characteristics from the COVID era – significant undersupply of labor and financial cushion left from massive government stimulus – have supported economic activity and pushed out the timeline of economic weakness.

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At first blush this may read as a gloomy prognosis, but it comes from an understanding that when the market sentiment is grim, opportunity lies in finding a way forward. Likewise, when the outlook seems too cheerful, it's wise to check again the looming risks.

Thank you for your continued trust in me, and my commitment to your goals and your long-term financial well-being. If you have any questions about this update, your accounts, or anything at all, please reach out at your earliest convenience.

*Danielle*

Material created by Raymond James for use by its advisors

## Netiquette for digital natives

The youngest members of the family might seem the most informed on today's tech – but that's not always the case. Preparing the next generation for everything, even deterring cybercriminals or tracking down lost devices, is still the responsibility of older generations. These tips can help shield young people from online danger.

### Assign a “kid computer”

For younger family members, assigning separate devices to each user may lessen the risk of potentially exposing sensitive information. One IT recommendation is keeping a device solely devoted to accessing banking and other private information separate from a device used for social media apps, games and the like. This is also an opportunity to allow young internet denizens to make mistakes and learn from them without compromising your important information or frying and damaging a vital hard drive.

### Track and protect what's precious

Device tracking can help locate wandering phones, tablets, laptops and even AirPods in case they are misplaced or stolen. Activate the “Find My” app on Apple devices or “Find My Device” on Androids. Purchasing physical GPS tracking tags and placing them on nondigital items is another great way to keep track of precious cargo. Even more important is personal safety. In case of an emergency, make sure your children know how to use the emergency SOS function and assign emergency contacts. For iPhones, this can be done in the “Health” app's Medical ID section or in “Contacts” if you choose the “Add to Emergency Contacts” button. For Android users, you can add emergency information as text on the lock screen or in the “Personal Safety” app.

To read more on this subject, find the complete article at <https://www.raymondjames.com/commentary-and-insights/family-life-events/2023/07/05/netiquette-for-digital-natives>

## Swing away your worries during August, national golf month



For many people, there's no better way to unwind than by spending an afternoon on a beautiful, freshly mowed golf course, swinging away the stresses of everyday life. This would have no doubt distressed King James II of Scotland, who banned the sport in 1457 because he determined that it was causing his parliament to neglect their military training. (He also banned soccer that year, so it's fair to say he was not a sports fan.)

Despite the initial attempts to eradicate the sport, golf has grown exponentially since the 1400s. In fact, according to Forbes magazine, 24 million Americans count it among their preferred pastimes. Unlike most other sports, you don't have to worry about someone derailing a great shot by tackling you or stealing the ball. Instead, whether your performance is impressive or disappointing is almost entirely up to you. And for anyone who has a competitive edge and enjoys a good challenge, that may be as daunting as it is thrilling.

More often than not, however, what makes golf great are the people with whom you enjoy it. After all, who doesn't want an excuse to spend a few hours outdoors with close friends? I hope that during national golf month, you find time to grab your clubs and hit a few rounds. Even if playing through the traditional 18 holes isn't your forte, everyone can get in on the fun with mini golf.

However you choose to celebrate the month of August, we hope it's filled with cherished friends and good times. As always, we appreciate your confidence in our team. It's truly a pleasure to serve you.

*Danielle, Annette & Michelle*

## Community Involvement

In early June we were able to drop off donations to the Augusta Food Bank for their KidsPaks program. The Food Bank puts together 150 Paks a week, providing healthy meals and snacks for area schoolchildren. Thank you to our generous clients that donated to help make this possible.



The Greater Augusta Back to School Program will be holding their annual event on August 20, 2023. Their goal this year is to surpass the 1,000 backpacks that were distributed in 2022. We are pleased to announce we will be supporting their cause again this year. Please be on the lookout soon for details on how you can get involved. Learn more about this program at <https://www.greateraugustabtsp>.

Raymond James is not affiliated with the above independent or charitable organizations

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Check out our website [raymondjames.com/daniellevalleau](https://raymondjames.com/daniellevalleau), where Client Access, The Water Street Journal, market and investment updates are all some of the resources at your fingertips.

**Just more ways we can stay in touch!**

*With you through all of life's adventures...*

What's on your calendar for Summer Adventures!? Don't let the rainy weather hold you back from having your fun! Through the years we have truly enjoyed hearing about trips, adventures, realized goals and life achievements. These are all things to be celebrated, and we'd like to ask you to start sharing some of these things for our newsletter. please send me pictures of your adventure with a brief description.



[annette.sprague@raymondjames.com](mailto:annette.sprague@raymondjames.com)

*~Annette*

*It's your life.... Live it!!*

If your financial situation, risk tolerance, or goals and objectives have changed, please give us a call.

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