Thoughts from the Holy City – September 2023

"It takes no more time to see the good side of life than to see the bad. Take it all in… it's as big as it seems. Count all your blessings. Remember your dreams."

~ Jimmy Buffett

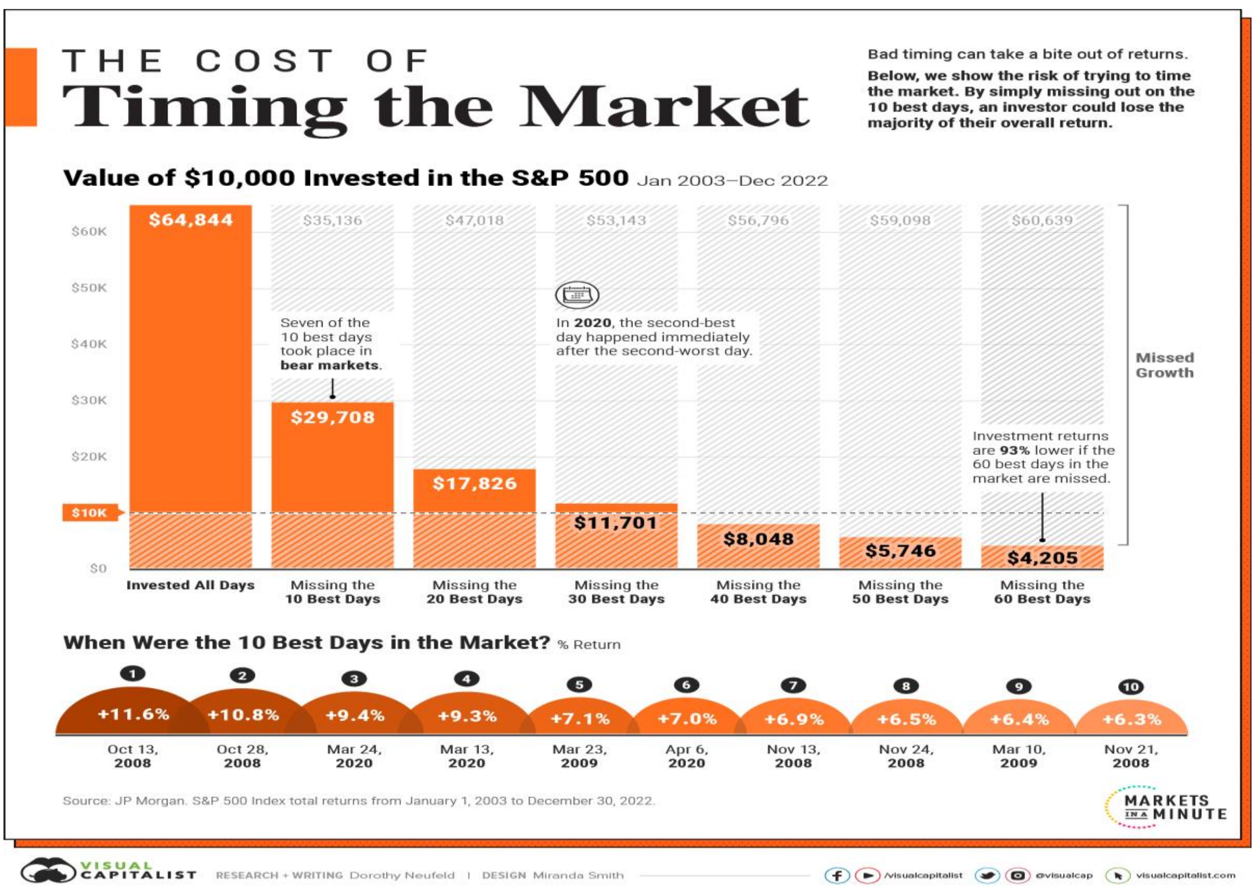
I found it only fitting to use a quote by the late Jimmy Buffett as we officially close out the summer with Labor Day. Buffett was a true optimist, always happy go lucky, and a very astute businessman. It is estimated that by the time of his death just a week ago, his net worth was over a *Billion* dollars. His music career certainly attributed to that success, but it was careful planning, savvy investing, and leaning on the advice of his advisors that helped him get to that point. As we enter the final 4 months of the year it is hard to believe equity and fixed income markets have performed as well as they have, especially given all the negativity heading into this year and after a whiplashing in 2022. August saw weakness in the equity and fixed income markets on the back of quite a bit of news.

The negative news in August that contributed to that weakness in both markets included Fed Chair Jay Powell reiterating that the Fed intends on keeping rates higher for longer. Additionally, Fitch Ratings downgraded the U.S.'s sovereign credit rating to AA+ from AAA. Although the downgrade by Fitch came as a surprise to many, it shouldn't considering that S&P downgraded our debt nearly a decade ago. Our government has continued to pile on the amount of debt obligations and a recent report from the Congressional Budget Office showed that the federal government expects to spend $160 trillion between 2024 and 2040, doubling the amount of public debt. These two factors weighed on the markets in August. The equity markets ended down for the month, snapping a 5-month streak of positive returns, and yields in the bond market moved higher, also contributing to the weakness in stocks. Despite a poor performance in August, all equity indices remain in positive territory for the year with the DJIA positive by 4.75%, the NASDAQ +34.09%, and the S&P 500 up 17.40%. The international markets, as measured by the MSCI EAFE, are up 8.92% and the Bloomberg Aggregate Bond Index is up 1.20%.

Although there are only 4 months left in 2023, there remains quite a bit of potential deterrents for a prosperous year. The first of those being the Fed. Going into 2023 and throughout the year there have been mixed views on whether we are going to have a recession, and the timing continues to be pushed further down the road. This brings me to the very point that market and economic forecasts are just that, forecasts. The world of investing can be quite confusing if you listen to all the noise. Think about the last fifteen years. The domestic equity markets were positive from 2009-2017 and in most of those years there were economic headwinds, poor economic growth. We finally had a negative year in 2018 when the Fed raised rates a mere 1.1% as well as quantitative tightening. The markets closed down near 5% for that year.

The following three years were all positive. The Fed reversed its course and subsequently there were two rate cuts. Then there is 2020. The world was going through a global pandemic in which the whole world was shut down for months, with some of the world shut down the entire year, and unemployment tripled. Despite this, the stock market ended up quite a bit for the year on the heels of an unprecedented response from the government to stimulate the economy. 2021 began with Biden being elected, a riot at the Capitol, and massive proposed tax increases across the board. One could not possibly think the market would be up in 2021. Well, it was, almost 27%! Then there was 2022 in which the Fed raised rates in the most aggressive rate hiking cycle in history, inflation was running rampant, and the economy reopened. The stock and bond markets got annihilated, both down double digits. No one expected that coming into 2022.

Well, here we are in September of 2023 with the equity markets having another fantastic year and the recession that everyone was calling has yet to rear its head. The point of all of this is forecasting and timing the market is futile and illogical. I know I reference this ad nauseum, but it is helpful for me to hear it myself. As illustrated below, if you try to time the market, and most likely do so incorrectly, you are likely to miss some of the best days, which hurts your long term returns and outcome in the end.



We will have to wait and see how the remainder of this year plays out. It is widely anticipated that the Fed will hold off raising rates at the September meeting, and it is hard to know what the remainder of the year holds for said rate increases. Investing is a long-term endeavor and changes depending on the needs on the individual and family. My job as an advisor is to help navigate whatever life throws at us. Nothing ever goes as planned or as one predicts, which often leads us to having to change course. We are here to ensure that you don't have to worry about all the prognostications and predictions on what may happen or may not. As Jimmy Buffet said, *"I can't change the direction of the wind, but I can adjust my sails to always reach my destination."*

Be Well,

Grier

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