FREE

THE CLIENT LETTER

MONTHLY NEWSLETTER

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"Melt Up"

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When my daughters were young, as any parent can attest, eating out was an exercise in logistics and time management. We knew that the moment we were seated, an internal time clock began running. If we were lucky, it was 20 minutes. Sometimes we were not lucky.

When the server arrived, generally expecting a causal greeting and a drink order, it was not uncommon for us to latch on to this poor soul like a drowning victim in order to give the entire order ASAP…after all we only had 17 more minutes before…."***The Meltdown!"***.

And while everyone is familiar with some form of toddler meltdown, not everyone has necessarily witnessed a market "***melt up***". Folks, that is what we have seen over the past couple of months. In the last letter, I referenced all the bad news and anxiety surrounding the debt ceiling debate. This was a primary cause for concern that turned out to be a tempest in a teacup. In typical fashion, the issue was resolved, and markets rallied only to leave some still waiting at the bus stop.

But if the debt ceiling did not torpedo markets, surely the Fed continuing its hawkish tone, and rate- hiking campaign would? Not so much - at least not yet. Instead, the market has continued its long tradition of making a fool of as many people as possible as investors cling to their cash, taking comfort in the now attractive yields. After all, why should an investor take risk if they can now get 5% in the safety of treasury bills or money market funds? A valid question to be sure.

But I have been in this business long enough to remember a time when bonds and money market had similar yields in the mid 1990's. Yet, balanced portfolios still performed well during this time as investors received respectable returns not only from the safer "fixed income" portion but the additional return from more volatile "growth" stocks/funds. In some ways it was a glorious time in which all assets had a purpose and could contribute to the team. This contrasts with recent years, when "zero interest rates" dictated that a portfolio's total return was determined simply by how much one had invested in growth stocks.

Fast forward to 2023 - while 5% feels comfortable in safer alternatives, it may not always feel this way if equity markets increase by double digit returns. After all, 5% is nice but it's not 10%. Note: this is not a prediction of future returns, and equity markets can certainly go up or down more than 10%, it's just an acknowledgment that stocks can increase quickly and without much notice as they have done in the last few weeks.

But why? Well, the answer dear reader, is both simple and complex at the same time. The media sound bite answer is that investors sense that the Fed may indeed orchestrate the elusive "soft landing". This is the notion that the Fed can slow the economy and bring down inflation by raising interest rates, without causing a severe downturn or recession. Throw in some AI fervor (Artificial Intelligence) and you have a newfound optimism making itself known.

And there is precedent for a soft landing from the Fed, but it is rare. The more likely scenario, based on history, is they will raise rates too far (if they haven't already) and cause an economic downturn. This would not be the end of the world - after all, recessions are part of the business cycle and I would expect the Fed would be quick to cut interest rates at the first sign of any such scenario, this possibly making any recession short and shallow.

Now here comes the "nuanced" and perhaps the most important part: Too many investors were holding cash and not enough stocks. In periods of maximum pessimism, as we saw last October, markets can bottom simply because there is no one left to sell stocks. That is, equity ownership (fancy word for stocks) was at historically low levels in the fall as investors flocked to the safety of cash and treasuries.

You see, ***markets do not care if things are good or bad - instead they care if things are getting better or getting worse***. The fact that conditions stopped "getting worse" after October, was enough to stem the selling and all that cash on the sidelines acted like lighter fluid for even the smallest flame of hope.

Folks, this is reason #427 why it is difficult to time the market. And while we would be hesitant to "chase" this market at current levels, we are also still bullish long term. For investors holding excess cash, we would consider a strategy of systematic investment over time. This allows one to take advantage of any near-term volatility, should markets indeed have gotten a bit ahead of themselves at present – which we believe could be the case.

And while we are not terribly concerned with, nor can tell you the direction of the next 10% move in the market - I can guarantee you the direction of the next 100% move. After all, it was Warren Buffett who once said: ***"I have seen more money lost by investors trying to avoid market corrections than ever lost in actual market corrections".***

I couldn't agree more.

Edie's Corner

As a heads up from Raymond James home office, any checks to be deposited into client accounts should be payable to "Raymond James" only. And while our office is located inside Pinnacle Bank (and they are great partners btw), the firm that custodies and manages your accounts is ***Raymond James***.

Also, please let us know of any material changes such as address, email or phone numbers. We also encourage you to review your beneficiaries in the event of life changes. As a specific example, we recently had a client who inherited the IRA of his ex-mother-in-law. He had been divorced for 12 years but because the mother-in-law never changed the beneficiary, it all went to him. Remember, beneficiaries are contractual and bypass any will or probate.

Lastly, as many companies have, Raymond James has adopted DocuSign as a quick and convenient way to process forms. It just requires an email address and mobile phone number. However, in cases where client still want to receive and sign physical forms, please keep in mind that these are time stamped, and must be returned in a timely fashion or else become "stale dated".

Thank you as always from your trusty sales assistant (aka: the person that actually gets things done!)

As always, we thank you for your business, your friendship and the trust you place in us. Feel free to share this letter with anyone you feel may benefit – we appreciate the many referrals we have received over the years and encourage the introduction to others. Edie, Cole and I are happy to answer any questions you may have. Until then, wishing you health and happiness.

Regards,

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Best-In-State Wealth Advisors (2019, 2021)
The Forbes ranking of Best-In-State Wealth Advisors, developed by SHOOK Research, is based on an algorithm of qualitative criteria and quantitative data. Those advisors who are considered have a minimum of seven years of experience, and the algorithm weighs factors like revenue trends, AUM, compliance records, industry experience and those who encompass best practices in their practices and approach to working with clients. Portfolio performance is not a criteria due to varying client objectives and lack of audited data. Out of 29,334 advisors nominated by their firms, 3,477 received the award. This ranking is not indicative of an advisor's future performance, is not an endorsement, and may not be representative of an individual client's experience. Neither Raymond James nor any of its financial advisors or RIA firms pay a fee in exchange for this award/rating. Raymond James is not affiliated with Forbes or Shook Research, LLC.

Top 100 Bank Advisors (2019)
To compile the list, multiple variables were combined into one composite score. The six categories used are: (1) assets under management; (2) trailing-12 month production; (3) percentage increase in AUM from the previous year; (4) percentage increase in T-12 production; (5) amount of fee business; and (6) the ratio of production-per-AUM. (Note: 2018 AUM was defined as the amount an advisor had as of Aug. 31, 2018. Likewise, for T-12 production, the 12-month period ending Aug. 31, 2018, was used.) The nominees were ranked by each of the six categories and then six different scores were calculated based on where they ranked. Those six scores were used to compile the final list. The ranking may not be representative of any one client's experience, is not an endorsement, and is not indicative of an advisor's future performance. Neither Raymond James nor any of its Financial Advisors pay a fee in exchange for this award/rating. BIC is not affiliated with Raymond James.