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Happy Mid-Year Greetings to You

Wow!! Time flies, right?

I am enclosing the Mid-Year Outlook from LPL Financial Research, along with an introductory letter. A brief skim of the intro letter provides a glimpse of the current thinking from LPL Research.
The letter mentions “A Path towards Stability”, Finding Balance, Return to Normalcy, Lower Inflation (a good thing), and other bright spots and challenges. The challenges include a possible recession in late 2023, along with geopolitical concerns.

You may think you have been hearing about this oncoming “Recession” for months or years. At the same time things are still slowly getting better from the Covid disruption, right? Is it a little confusing? Yes. I often hear personal economic insights from clients and friends that are also contradictory. We hear about layoffs in some places, but also other businesses like the travel industry are thriving. Perhaps a good plan is to be cautiously optimistic. Take advantage of opportunities when it makes sense. However, keep an eye out if the economy turns downward and make adjustments as needed.

Best Regards,

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Worthwhile Topics

Weekly Market Commentary -Market Responses to Fed (IN)Action - 06/20/23

Weekly Market Commentary - New Bull May Need a Breather- 06/26/23

Weekly Market Commentary -Capital Markets: The Essence of American Capitalism - 07/03/23

Our 2023 investing outlook started with a theme of returning to normalcy. Considering 2022’s market volatility and the aftereffects of the pandemic, the idea of finding balance was certainly a welcomed change. It’s a theme we could all embrace six months ago and what we will continue to rally around through year-end.

That’s not to say that 2023 hasn’t come with its own challenges. We saw two regional banks fail in rapid-fire succession in March—and another closed its doors in May. Collectively representing over $530 billion in assets, the trio ranks second, third, and fourth largest bank failures to date.

We also held our breath as a last-minute deal to raise the debt limit came together as the clock ticked closer to default. Despite the market gyrations these events caused and the banking sector still on tenterhooks, the overall financial system seems stable.

The insights in LPL Research’s Midyear Outlook 2023: The Path Toward Stability will help position investors, along with guidance from their financial professionals, to achieve their goals by providing guidance and actionable insights as the second half of 2023 unfolds.

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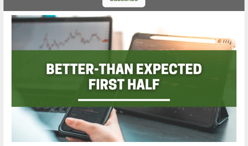

Every so often Washington likes to remind us how hard it can be to get things accomplished. The most recent example is the debt ceiling—the amount Congress can borrow to pay its bills. It seems like we have this debate every few years and in the end a deal is made, which is just what happened this time. Considering equity markets never really reacted to the drama, perhaps this is a good reminder that focusing on long-term objectives is the best strategy, even amid a fair amount of market noise.

With the debt ceiling drama behind us, markets will likely return their attention to topics such as inflation, the health of the economy, and the Federal Reserve (Fed)—who is scheduled to meet June 14-15. Expectations are that they will not raise short-term interest rates for the first time in 10 meetings. The Fed has done a lot of heavy lifting already—raising short-term interest rates by 5% in just over a year. Since rate hikes tend to have a long and variable lag, the Fed wants to see how those rate hikes more fully flow through the economy before its next move.

The Fed’s goal has been to elevate the fed funds rate and make the cost of borrowing money prohibitively expensive, to slow aggregate demand. While this has exposed some cracks in the regional banking sector, it should allow inflationary pressures to abate. But then what? After winning its fight with inflation, the Fed is expected to start cutting rates early next year. Just as the aggressive rate-hiking cycle took Treasury yields higher, interest rate cuts will take Treasury (and other bond market) yields lower. Both lower inflation and an end to rate increases could be welcome news for core bonds, especially intermediate core bonds, which have tended to perform well after rate-hiking campaigns. Investors may be better served by locking in these higher yields before they’re gone. Only time will tell, but it feels like we’re finally on a path to lower interest rates and the end of this inflationary cycle.

Of course there will be other challenges to deal with, that’s just the dynamic nature of the market. But in the meantime, returning to the familiar—lower rates and the end of inflation—is something we can all rally around.

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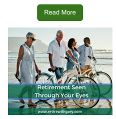

Retirement is a blank canvas waiting to be painted with your dreams and aspirations. What do you see when you envision your future? Check out our latest blog for some inspiring perspectives on retirement!

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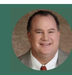

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