August 2023 | Vol. XV

THE MARKET MEMO

DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

A steady stream of news helped drain enthusiasm from the equities markets in August, snapping a five-month growth streak at a time of the year historically known for cool market performance despite the swelter of its dog days.

Among that news: A tick in the wrong direction of a key measurement ignited fears of a second wave of inflation. Oil prices rose, as did bond yields. Federal Reserve (Fed) Chairman Jerome Powell reiterated the Fed’s commitment to lowering inflation with higher interest rates. Fitch Ratings downgraded the U.S.’s sovereign credit rating by one notch from AAA to AA+. And cracks in China’s economy highlighted structural challenges in the world’s second largest economy.

Despite the gloom of most of the month, the last week of trading saw a strong rally for equities in the wake of positive economic and inflation data. This narrowed the month’s loss but fell short of closing it.

The result: The S&P 500 ended the month down 2.36%.

Looking out, the arrival of a long-expected (yet delayed) recession may be further back than some analysts estimated at the start of the year. Now, the first quarter of 2024 seems a more likely landing place than the fourth quarter of 2023. Part of that reassessment is on account of the strength of the economy entering the third quarter, particularly in regard to consumer demand, investment in structures and business inventories. The long tail of COVID-era savings may also be serving as a crutch.

The bottom line

Investors are apt to get bullish when things are going well, causing them to have less concern about surrounding conditions. The volatility of August seemed to jolt that confidence, giving everyone a reason to reassess. These kinds of corrections may be healthy, allowing the fundamentals of the market to catch up to its aspirations, preventing a harsher correction later on.

And after a first half of the year driven by such high levels of enthusiasm and optimism, we don’t expect the prevailing mood to sour.

Thank you for the continuing opportunity to serve your financial goals, and for your trust in our management of your financial well-being. If you would like to discuss the market, this letter or anything pertaining to your financial plan, please feel free to reach out at your earliest convenience. We’ll be glad to hear from you.

Sincerely,

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