

# THE MARKET MEMO

## DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

A choir of optimistic investor sentiment closed 2023 on a high note, as expectations of “steep cuts to interest rates” may be at odds with the Federal Reserve’s (Fed’s) actual sheet music. Considering the tumult of the year as sentiment focused on economic and inflation data, this discordance isn’t all that surprising and could signal volatility to come, but in the meantime, the market environment looks a lot brighter at the tail end of 2023 than it did at the close of a dreary 2022.

Inflation, though still above target levels, is much improved by a year of the Fed’s monetary discipline. The U.S. labor market remains robust. The S&P 500 reversed its 2022 losses and then some, closing the year on December 29 just shy of the record high set a day prior. The NASDAQ 100 and its leading artificial intelligence stocks saw that index record its best year since the 1999 tech bubble. The Russell 2000, reflecting the performance of small companies’ stocks, clawed back most of its 2022 losses.

Though the market may be ahead of itself, pricing in steeper cuts to the baseline interest rate than perhaps warranted, even a conservative reading of the Fed’s messaging suggests modest cuts to come in 2024, which may keep the optimism rolling without whiplash.

We start 2024 in a strong position, owing to the progress made on inflation and the market’s weathering of uncertainty. That’s heartening because strength often begets strength. However, sluggish economic growth and the potential for investor sentiment to suddenly shift are potential risks, as is the potential of a recession. That’s worth remembering, even when the forecast is clear.

Together, we will help you navigate whatever 2024 brings, remaining disciplined in the face of both exuberance and frustration and always keeping our eyes on your goals.

Thank you for your continued trust in us and our commitment to your well-being. We wish you good health and tidings and a happy new year.

Sincerely,

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