



# THE MARKET MEMO

## DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

The report card is in. Despite high interest rates, elevated inflation, and a challenging market environment, the U.S. gross domestic product grew a strong 3.1% in 2023. In the month since, consumer spending has continued to be robust, unemployment has remained low and the S&P 500 recorded new highs.

Some took this as bad news. Supported by this resilient economy, the Federal Reserve (Fed) elected to hold interest rates steady at the first Federal Open Market Committee meeting of the year on January 31.

“January was déjà vu, continuing the narrative of late last year with economic resilience, moderating inflation, expectations that the Fed will soon cut interest rates, and a mega-cap Tech-led equity rally,” said Raymond James Chief Investment Officer Larry Adam.

“However, with the S&P 500 rallying about 20% from the late-October lows, a period of volatility and consolidation is likely as the market has priced in elevated economic and equity market expectations. Much of the good news has already been priced in.”

The record highs in the S&P 500 were the result of a narrow group of technology and communication services, while the rest of the index was largely flat. As fourth-quarter earnings season progresses, investors will be scrutinizing company commentary and watching price reactions for signs of broader market participation. We believe equities can climb higher over the next 12 months as the Fed likely cuts rates, bond yields trend lower, and any looming recession remains mild.

Bond yields bounced back in January after steadily declining from last October’s peak when the market determined the Fed was done tightening. Day-to-day volatility remains high and the Treasury curve inverted, yet the corporate curve remains relatively flat and elevated while the municipal curve steadily upward sloping 10 years and out, creating varying income opportunities throughout maturity ranges.

As ever, we will remain committed to the pursuit of your financial goals, and thank you for your continued trust in our guidance. If you have any questions regarding this recap – or any other topic – please reach out at your earliest convenience.

Sincerely,

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