

THE MARKET MEMO



DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

Many words have been published about the U.S. economy's plowing through conventional expectations amid the Federal Reserve's campaign to lower inflation by raising interest rates. Through October, this theme continued as headline economic data showed an ultra-resilient U.S. economy, even as volatility churned financial markets.

Third-quarter retail sales were higher than expected. September saw 336,000 nonfarm jobs added as unemployment remained at 3.8%. The biggest surprise of all - the U.S. economy grew at an annualized rate of 4.9% in the third quarter, more than twice the second quarter's 2.1%.

Does this mean a recession is off the table? While these results will likely change some analysts' expectations, one should be cautious using backward-looking indicators to develop a forecast. In the last 12 recessions, the quarter BEFORE the recession begins, GDP growth averaged +2.6%. In contrast, the quarter the recession began, GDP was -3.5%...that's a quick turnaround!

On the equities front, the S&P 500 closed down 2.20% for the month, despite the "The Magnificent Seven" high-flying tech stocks. This heavy concentration in the markets is a recipe for volatility. Fixed income markets also experienced heartburn as higher yields put downward pressure on the bond markets as investors debated whether economic data would cause the Fed to raise rates higher.

Outside the U.S., conflicts in Israel and Ukraine continue to keep energy markets in flux.

The bottom line

October is typically a month when slumping late summer markets perk up, but this year markets will reflect significant global headwinds. It is easy to read these challenges through a less than rosy lens, but let's remember that the U.S. economy has remained a bastion of strength in the world through this time and inflation continues to trend downward. Even if the economy experiences a recession in 2024, evidence indicates it will be a mild one.

No matter what lies ahead, we'll be here to help you navigate it - keeping eyes forward and your goals in sight. Thank you for your continuing trust in our team.

Sincerely,

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