



January 2024 Update

General Update on Current Events and the Economy/Markets

Current (and past) Events

At times, when we consider all the crazy things going on in the world, we can get a bit despondent, and the intense media onslaught doesn't help. I think this lyric from John Prine is a good idea: **Blow up your TV, throw away your paper / Go to the country, build you a home / Plant a little garden, eat a lot of peaches.....** and let's add **toss your devices into the ocean.** I believe this coming year will be a volatile one in many areas of society, most notably our own political landscape. While mudslinging, harsh rhetoric, and physical threats have always existed, the capability of near immediate escalation of these things has exacerbated the danger they bring. I was not a big supporter of George H.W. Bush, but I do agree with him when he said one of America's purposes was "...to make kinder the face of the nation and gentler the face of the world." Nowadays he'd probably be called a "snowflake" and a "loser" because he got shot down by the Japanese military.

Looking in the rear view mirror at the past few years we see what now seems like a bad dream – COVID, high inflation, the January 6th insurrection (call it what you want), a past President indicted multiple times, immigration still not resolved, stupid new laws, other laws that were on the books for decades overturned, a Supreme Court that has no code of ethics and in which people have little confidence, an attempt at whitewashing history (or just "deleting" it), banning of books, and a congress that has done little valuable work – but hey, at least they got rid of George Santos. And if that's not enough to make your head spin and keep you up at night, the headline "Why scientists think we're in the middle of the next mass extinction" might.

Looking ahead may keep you up at night as well, unfortunately. The election in November...that's all I'll say about it. Ongoing wars. Still high inflation on some goods and services (and some companies and sectors are just gouging **consumers**¹). Threat of a recession (although I think the Fed's done a very good job handling things). Healthcare costs still rising. The deficit. Rising hostility against groups, religions, nationalities, and races. The rich are getting richer and the poor getting poorer. All I can say is buckle up, we're in for what could be a very bumpy ride.

The Economy, Stock, Bond, Currency and Housing Markets

Listen to whoever you'd like to (and try to avoid conditional bias), but I believe the economy is doing just fine, thank you. High employment, decent growth, interest rates that are coming down some, inflation dropping, wages increasing, manufacturing doing well (the infrastructure bill was long overdue), and worker productivity is still strong. Need facts? You can spend days reviewing data on <https://www.bls.gov/data/>. Of course, looking at historic data doesn't tell us much about the future but it's more about trends than specific "as of date" data. The trend the U.S. economy is on is, in my opinion, a sound one – "bubbles" are not trends, and one example of a bubble would be the spike in oil prices, and eggs! Did any sane person really think egg prices were going to stay as high as they were? Same with gas prices. The rise in healthcare costs, however, is a trend that has been going on for many years, and the reasons as to why are many and beyond the scope of this newsletter. At least this administration is instituting measures by which Medicare can negotiate drug (and other) costs – how the insurance and pharma companies have had their way for so long is beyond me – actually, it's not beyond me, the answer is simple – money, lobbyists, and politicians.

2023 saw the stock and bond markets have almost the exact opposite of 2022, with both rebounding from what was a horrendous year – very rare is it that both bonds and stocks perform bad, and that was 2022 in a nutshell. 2023 was rare in one sense, though, in that the rise in the overall indexes was dominated by a small percentage of companies that were part of those indexes.

In currencies, the dollar rode the ebbs and flows of rising and receding inflation. After peaking in September, the dollar's value against a basket of currencies dropped. Decreasing inflation and falling bond yields weakened the dollar. In December, speculation grew that the Federal Reserve may begin cutting interest rates, and this news further weakened the dollar, bringing its value to a five-month low by the end of the year. In contrast, other currencies, such as the euro, have increased against the dollar. The value of the dollar may further weaken in 2024 if interest rates and bond yields decrease further.

Raising interest rates helped drive down inflation, but it also had the effect of cooling the housing market. Rising rates carried over to mortgage rates, which jumped higher, peaking at about 8.0% in October, more than double the rate during the pandemic. Higher mortgage rates translated to fewer buyers. Home prices, however, climbed higher, primarily due to lower inventory. Fortunately, mortgage rates have fallen by more than a full point over the last few months of the year, settling at about 6.61% at the end of December.

As 2023 drew to a close, there were some positives to consider. GDP expanded at a greater-than-expected pace in the third quarter, crude oil and gas prices dipped lower and primary inflationary indicators, such as the Consumer Price Index and the personal consumption expenditures price index, dropped. There are factors that will come into play this year, but how they impact the economy and markets is open to speculation. And remember, 2024 brings with it a very important election.

Comprehensive Financial Planning Process and Areas

As a Certified Financial Planner™ I work with most clients in all areas of their financial situation, and I see the process of Comprehensive Financial Planning akin to building a home. To build a home you need to know the cost of everything, what kind and amount of a loan you might need, blueprints, the actual purchasing of everything you need, how the home should be titled, what insurance you need while building and then living in the home, establishing “connections” for electric, gas, internet, etc.

Comprehensive Financial Planning consists of both a process and several areas. **The process is basically:** Discovery (getting to know the client), Goal Setting, Data Gathering, Analysis (of everything), Financial Plan Development, Recommendations, Implementation (of Recommendations) and Review/Monitoring.

The areas consist of: Financial Position, Risk Management (Insurance), Investment Planning, Tax Planning, Retirement Planning and Estate Planning.

Just like building a house, if you don't plan for certain things you run the risk of failure. You can build the perfect home but if you don't have insurance and it burns down it would be a financial disaster. Likewise, you can have a solid net worth but if you have no estate plan you run the risk of your estate going to people you did not intend on it going to (and leaving your heirs with a huge mess). People don't plan to fail; they fail to plan. My advice is to ask yourself if you are 100% comfortable with your planning in each area of the Financial Planning process. If you're not, make 2024 your year to take action!

“Personal Stuff”

Speaking of estate planning (weren't we?), I'm in the process of making changes to my own estate planning documents, as they are not exactly how I want them to be. It can be difficult for some people to consider that they may die or become disabled, but for me it's not difficult at all, and the peace of mind that comes from knowing that if either event happened all would be well is well worth the planning. I've seen too many instances where a lack of planning devastates a family. If you just bury your head in the sand to avoid “challenging” topics, well, you might get what happens when you bury your head in the sand!

Because I did very little non-business travel over the last few years I accumulated a LOT of miles on American Airlines, and I'm hoping to use many of those this year. There are many destinations we'd like to go to, and so far London in February is booked. It's been 12 years since we've crossed the pond, and hopefully we'll cross more than once this year. We've been in France during the Tour de France and in Italy during the Giro d'Italia, so it seems a perfect time to go to Spain (and/or Portugal) during the Vuelta a Espana – those are the three “Grand Tours” of cycling.

Speaking of cycling (we really weren't), 2023 was the second year in which I rode over 5,000 miles. I barely made it, passing that mark on December 30th. I'm fortunate that I have a passion for something that benefits me in many ways. Cycling helps keep me healthy, specifically as it relates to my being a T2 diabetic, keeps my mind sharp (Exercise stimulates the growth of new connections between cells in cortical areas of the brain), helps alleviate stress, reduces my risk of heart disease, gives me time to think about things without being interrupted, and, when I'm riding with my friends and my cycling club, provides for a lot of fun, laughs and great conversations. "Learn to ride a bicycle. You will not regret it if you live." — *Mark Twain* I plan on living a long time! But just in case, my estate plan will be up to date.

The first two photos are from St. Charles, IL the weekend of Tour de Cure, the diabetes fundraiser I'm involved in – 2023 was my 20th year participating. Hotel Baker is where we stayed, and the second photo is me with some members of "Team Joe Nedza". The sunset photo is from Marco Island, Florida.

Thanks for reading, and feel free to let me know if you have any questions or comments on anything. Here's to a great 2024!

Thank you, Bill

1) While consumers might have a difficult time challenging price increases that companies have instituted, some major retailers have taken action, such as Carrefour, which is telling customers it will no longer sell PepsiCo products like Pepsi, Lay's crisps and 7up because they had become too costly, in the latest tug-of-war over prices between retailers and global food giants. While companies should be able to price their goods at whatever level they would like and make profits, I think many companies have used this time period of general inflation to gouge customers. Many companies over the past two years have had record profits, and while I believe in the system of capitalism, that system does not work well for consumers when there are very few companies in many sectors that control, and dominate, the supply side – oil, food, and drugs are but three examples of industries controlled by a handful of companies.

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