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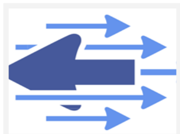
WEALTH & WELLNESS
GROUP

Headwinds or Tailwinds



The end of October brings with it the third-straight losing month for equity markets. The Dow and the S&P 500 fell 1.4% and 2.2%, respectively while the Nasdaq declined 2.8%. It's the first three-month losing streak for the S&P and Dow since March 2020. October also delivered an official correction as the S&P 500 closed 10.28% below its most recent high in July 2023, and 12.57% below its all-time closing high on 1/3/2022.

While a drop like this can't be ignored, it's quite normal. In fact, during a typical calendar year, the S&P 500 experiences a 14.3% pullback from peak to trough. Furthermore, when you size up a pullback like we've had and combine it with optimistic seasonal trends for November and December (two of the best months for market performance), it wouldn't be unreasonable to see a 3-5% climb higher from here (source: FactSet).

Markets and portfolios, however, are made up of more than just U.S. stocks. Headlines of world unrest rotate in and out with bold print of Washington worries and political dysfunction. Geopolitical tensions remain in the Russia / Ukraine conflict and the recent atrocities in the Middle East are keeping investors on edge. Moreover, peak bond yields represent another risk to market gains.

Since the Fed's late September mantra of "higher for longer", interest rates pushed even higher, with the bell weather 10-year Treasury yield soaring to nearly 5%, before sliding back to 4.6%, in early November – a rate level, at which, we feel can be sustained through yearend. Bond prices fell as rates rose, and then rose back as those rates dropped back down.

The current economic data paints quite an interesting portrait. On one hand, Inflationary pressures and broader macro trends are heading in the right direction, however, the most recent GDP report and a strong labor market make it difficult for the fed to start lowering rates any time soon. The U.S. economy grew by 4.9% in the third quarter, driven by strong consumer spending. The labor market also remains resilient: Unemployment is low, job postings are elevated, and wages continue to rise.

All of this conflicting and competing data makes it hard for the Fed to commit to doing anything in the near-term regarding interest rates. The Fed is signally a pause on rate increases, the pundits are suggesting a possible rate reduction in mid-2024, and the history books teach us that November and December are friends to the market, delivering solid tandem returns. Investment markets also look kindly on the months between a final rate hike, and an initial rate reduction.

As a result, heading into the final two-months of the year we see opportunities to continue to improve the overall quality of client portfolio's by adding high-yield fixed income, underperforming assets classes like healthcare and real estate, as well as increased positions in high-quality market leaders with distinct competitive advantages.

Trivia

1) What do you call the dots on dice?
2) In a race between a cough and a sneeze, which would win?
3) In order to be designated a hurricane, a wind must have a minimum speed of how many miles per hour: 74, 84, 94?

Did You Know?
"Wild West"

The Wild West was once part of Spain: From the 16th to the 19th centuries, the areas encompassing Florida and states including California, Arizona, Nevada, New Mexico, Colorado and Texas – belonged to the viceroyalty of New Spain and were governed from Mexico City.

Horses weren't the only means of transport: In 1855 Secretary of War Jefferson Davis allocated $30,000 for the army to import camels from the Mediterranean and Middle East to use for transporting supplies. By 1857 the US Camel Corps was looking after around 75 camels at its base in Camp Verde, Texas.

Geronimo escaped his reservation three times: Apache leader Geronimo and his band were captured in 1877 and taken to Arizona. He struggled to adapt and ended up escaping three times: in 1878, 1881 and 1885. 5,000 soldiers were involved in the last pursuit, which took over a year to bring into custody.

The Pony Express was devised to get national news faster to the west as tensions rose before the Civil War. However, the arrival of the telegraph, rendered it obsolete. As a result, it only operated for 18 months; April 1860 - Oct 1861.

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Challenge The Posted Signs About Retirement

"Hey lady, what are you doing? The sign says no bumping or hitting other cars!"

She laughed and said, "Sir if you're not bumping and grinding you're not racing."

I have to admit, I was caught off guard by her response but it's a lesson worth noting. Our family was recently on a vacation trip down to Gatlinburg, Tennessee. On this particular day, we took the kids into Pigeon Forge which has all sorts of tourist traps including go-cart racing.

We bought a package of laps for myself and our two youngest teens to buzz around the track. There were obviously other racers on the track, and for the first few races, everyone followed the rules posted in multiple places on the track. Bumping, rubbing or hitting other cars is strictly prohibited. Any damage caused will be at the driver's expense.

The rules were obvious and for much of our time there, everyone followed them. However, during our last race a new group of people were on the track. Me and our two youngest boys were near the front, and since they were recent additions, they were in the back. Over the next 7 laps, two of us were spun out by the other drivers and my youngest son had to slam on his breaks to avoid being pushed into a wall of tires. It felt like Sunday drivers against NASCAR professionals.

The new group, as you know from the beginning of the story, didn't follow the posted rules and didn't see their actions as risky or negligent. In fact, they were surprised and even disappointed that no one else was pushing the limits and bounds of the cars. I heard one person remark, "What a lame race!" They had obviously been here before or raced similar tracks.

I think this same phenomenon can happen to people entering retirement as well. There are these posted signs and rules that can cause you to simply stay in your lane, act the way society thinks a retiree should act, and avoid any risky behavior of steps for fear of an unexpected expense. That is, at least until you meet someone who is use to the retirement track and has learned, if you're going to thrive in this next phase of life, the signs that society tries to hang around retirement are better perceived as suggestions rather than rules.

Now that doesn't mean you should have a retirement-age crisis and go out an buy a sportscar or spend half your retirement savings on a three-month European river cruise. But it also doesn't mean that you should simply make retirement one long Sunday drive, where you're stuck in the slow lane, focused on staying below the posted speed limit. So let me ask you:

1) What is one thing you could do to step outside of your current lane?

2) You have likely felt spun out or headed for a crash at some point in life, how can you use that experience to make the most of your time or transition into retirement?

3) Who do you know that is a retirement NASCAR driver? Someone with experience that can help you bump and grind your way to more laps and a checkered flag?

Trivia Answers

1) Pips

2) The sneeze wins at 100 mph while a cough manages 50 mph

3) 74

Source: Pub Trivia