My name is Matt Sayers. I'm a Partner and Certified Financial Planner practitioner at FCS.

As investors, we are excited to close the books on a challenging 2022 and look forward to the hope that a new year brings.

2022 was a difficult year. While the equity decline was one we experience on average every four years, the bond market returned its second negative year in a row. That has not occurred since 1958-1959. The Federal Funds rate began 2022 at o.oo%-0.25% and finished at 4.25%-4.5%. The Federal Reserve's historic increases in rates were initiated to combat inflation, which reached a peak of 9.1% in June. That was a level not seen since the early 80s.

This coming year may create strong opportunities for investors as the next economic recovery and bull market emerge.

Many believe the US will experience a recession in 2023. While the reality of a recession is unknown, it is important to remember the market is forward looking. This causes the market to historically bottom prior to recessions ending.

Without any outside surprises, Investors should likely anticipate an economic and earnings recovery in the latter half of 2023 sending equity markets higher.

The bond market has never had a negative return three years in a row. The bond market should experience good returns in 2023 with the Federal Reserve expected to pause and eventually reverse its aggressive tightening.

Inflation should end 2023 much lower than where it began. With supply chains nearly fully ramped up, higher interest rates, and the Federal Reserve reducing their balance sheet – save for an outside shock, the year over year inflation rate should continue its downward trajectory and end the year much lower, potentially in the 2%-3% range.

While this year and every year will create challenges, we believe there are many reasons for optimism in 2023.

Any discussion of the markets should result in a conversation with your financial advisor. We position your investments in a way that is designed to provide you success over the life of your plan. If you feel uncertain about your investments or plan, please do not hesitate to call.

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