Hello and welcome to the FCS Private Wealth Management 3rd quarter update.

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

Reflecting back on the first half of 2023 the markets have shown encouraging progress towards recovering from the pullback which began almost a year and half ago. **After a negative return in 2022, the S&P 500 is up 16.9% in the first half of 2023 and up over 27% from the low it reached in October 2022.** And after the bond market for the first time since the late 1950's was down two years in a row, the Bloomberg US Aggregate Bond Index is up 2.1% through the first 6 months of the year. All of this while the international equity markets are also rebounding.

**(Insert Interest Rate Chart)** This chart shows that 2023 is seeing the final stages of the tightening cycle by the Federal Reserve where interest rates appear to be in the process of cresting. In their effort to curtail high inflation the Federal Funds Rate has increased from 4.25%-4.5% where it began the year and ended June at 5.00%-5.25%. The velocity of the fast increase of interest rates over the last year and a half has put added pressure on the banking system. This in part has helped to cause some of the difficulties you may have seen this year with some regional banks around the country.

The bond market appears to be pricing in a drop in the Federal Funds rate within approximately the next 12 months. **While the chance of additional increases in interest rates remain**, **we appear to be in the midst of a topping out process in rates with the likely longer term move from here being lower over time.** Ultimately this should lead to better returns in the bond market from here. Additionally, according to Goldman Sachs the stock market has historically been up on average 28.9% over the next 12 months after the Federal Reserve's last rate hike in a tightening cycle.

With the increase in interest rates and supply chains nearly fully ramped up after the disruption from the pandemic, inflation has continued to fall during the first half of the year. **After peaking at 9.1% in June of 2022, the current inflation rate is coming in around 4%.** And while inflation may fluctuate during the second half of 2023, it should continue to fall, potentially ending the year in the 2% to 3% range. This should aid in removing the pressure to keep interest rates high, and will likely help lead to the eventual lowering of the Federal Funds Rate.

And while the topic of a potential recession may be a popular discussion at times, the stock market is not currently pricing in a recession. Not only have the US labor markets and US GDP held strong during the first half of the year**, the S&P 500's strong performance year-to-date, which is forward looking, is showing that short of an outside shock, the stock market is not currently expecting a recession.**

While it can be choppy climbing out of a bear market, we continue to believe there are many reasons for optimism going forward.

Ultimately, regardless of the environment, we invest your portfolio in a way that is designed to help you succeed over the life of your plan. If you have any questions or concerns about your investments or plan, please do not hesitate to call.

Add to screen if recorded: