Welcome to the FCS Private Wealth Management 4th Quarter Update. I am Matt Sayers, Partner and Certified Financial Planner with FCS.

I wanted to start with an update on where we are in the recovery. The bear market, as determined by the S&P 500, began on January 4th, 2022 and ultimately bottomed on October 13th 2022; down 27.5% from the highs. **Through the end of the third quarter of 2023, the market is up 22.8% from the October 2022 low.** That includes the recent August through September pullback of 6.5%.

Pullbacks and corrections should never surprise investors. **The market has averaged three 5-10% declines and one 10-20% correction every year.** With the recent August to September pullback, we have had two of those 5-10% declines this calendar year. Not surprisingly, the pullback occurred during a very seasonally weak period for the market. On average, September is the worst month for S&P 500 returns.

Staying with the calendar theme, **the 4th quarter is historically the strongest quarter for the market**. While we cannot predict short-term market movements, we are confident in the direction of the market as we head through 2024.

Global rates have leveled off and we expect central banks to begin easing in the New Year. In particular, **the Federal Reserve is likely to begin cutting rates in 2024**, eventually settling in the low to mid 3% range. Taming wage inflation will be key. As the monthly employment and inflation data rolls in**, pay close attention to wage growth. It will provide insight into how soon inflation will return to the Federal Reserve's 2% target.**

The bond market has proved to be challenging and rewarding. The Bloomberg US Aggregate Bond Index is currently down for the third year in a row. If that holds, it will be the first time in the last one hundred years the bond market was down three consecutive years. This price movement has only confirmed our preference of individual bonds versus bond funds.

On the positive side, **new bonds are providing yields not seen for over 15 years and bond values will likely begin appreciating once interest rates begin to decline**.

A historically quiet asset class has come to life with opportunities to increase yields and minimize taxes. **Tax minimization is an excellent way for investors to increase their net return**. Tax minimizing adjustments to stock and bond portfolios in the fourth quarter are just one-way to take advantage of this market.

Please reach out anytime you have a question or concern. Thank you for listening and have a great day.