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What a year! As you know, I make no claims of being able to time the market or predict what will happen in the short term to stock or bond prices. In the short term, my record is totally consistent and a complete failure in most instances. Being able to find great opportunities that will create wealth over the long term has worked with much better results since I started in the business in 1995. 2023 was a year of negative expectations on the part of most market participants, and it turned out to be quite the opposite. I believe we have two entities to thank for that. The Federal Reserve Board and China.

History shows that stocks don't need rate cuts to do well – they just need the Fed to stop tightening. That was the topic and headline for an article on CNBC, and it sums up the Fed in 2023 perfectly. Last year, the Fed paused at the last three opportunities they had to raise rates. That combined with an indication that they may cut rates in 2024 was enough to get the market moving, and we never looked back. I believe we have entered a period of the "permanent pause". Unless things slow dramatically, there is no reason for the Fed to cut. Interest rates are still slightly below their historical average, and there is no indication we need to stimulate the economy. It would be best not to cut rates and then find the need to be raised again because inflation roars back as it did in the 70's. My feeling is that they will continue to monitor the data and choose to pause rather than change rates for longer than the market thinks they will. This may lead to some softness in the first half of the year, but I believe this will be a good year overall for the stock and bond markets.

You may be wondering why I mentioned China. They had a recession, so we did not have to. In addition to having loaded the pockets of the average American with Covid cash prior to raising rates substantially, China's slow down has helped bring inflation down, and we have benefitted by not having to have one of our own. Time will tell, but unless employment falls apart and consumers pull back substantially, we may have a soft landing.

As always, we will continue to stick to the plan and invest for the long term. Happy New Year to you and your family. Thank you for allowing us to be of help in the year and years ahead. We cannot express our gratitude adequately but will continue to try at every opportunity.

A blue ink signature of David J. Sculati, consisting of a stylized 'D' and 'S' followed by a horizontal line.

David J. Sculati  
President  
Accredited Investment Fiduciary®

DJS/sam