Matt's Minutes: February 2023 "Closed Captions"

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Hi everyone, this is Matt Curfman from Richmond Brothers with a late February/early March 2023 edition of Matt's Minutes. Thanks for tuning in. So, what are some of the headlines still talking about? Believe it or not, we are still focused in on what's happening with inflation, how does the Federal Reserve interpret that, and what do they do in response to whether inflation is high, falling down, stabilizing. The Federal Reserve is set to meet in the first half of March, around March 8, I believe, and so there will be more data coming out. There's also some unemployment reports coming out in the first half of March, which will probably give us a better indicator as far as what the Fed is thinking.

Generally speaking, if the Federal Reserve continues to raise rates, but at a lower pace, for example at .25% instead of .75% like they did four times in 2022, we believe that would be seen as a sign of a little more calmness, hopefully in the market. That their program is working to stop inflation from escalating. It's not going to be any quick fix, it's not going to be something that just turns the corner in 2023, but hopefully that is a sign of progress that we have.

The other thing is just worry about corporate earnings, and what corporations are doing. When they have their earnings calls, what are they forecasting for the remainder of the 2023 year? And there's kind of a little bit of a doom and gloom, not in the sense of a massive turnaround or a massive 2008-like recession, but just fear of slow down, and that's probably a better term we think than a full on recession. It's our view that it doesn't seem like there's going to be a full on 2008-style recession. As investors and as retirees, if you're watching this, you know, investors have been through a lot in the last five years.

There was a mini meltdown, which was a bear market roughly in the 4th quarter of 2018, then we had bear market fall backs in 2020 during the early days in the spring of the pandemic, and then a confusing rally coming back without maybe a lot of basis on earnings, and then 2022 was another bear market. And almost a bear market in bonds. The corporate bond index dropped 15% last year, which is pretty unprecedented when stocks dropped as well, so investors have been through a lot. As we kind of keep moving in, I think there's a lot of just post-COVID exhaustion as well. We're not out of the woods there. Hopefully as that disease – not the best terminology there – but as that continues, it's more and more mild cases we are still running into, even with our client base, and trying to keep everyone safe as possible.

That said, just as you think about that and tying back into economics and are people traveling, are people feeling comfortable and healthy and safe to do so? It does seem like that trend is moving in the right direction and unemployment is not falling through the roof. There are corporations doing

restructuring, maybe cutting their workforce by a certain percentage, but we're not really experiencing massive layoffs or unemployment surging to 5 or 6 or 10%. And so, paying attention to the jobs report is also going to be important.

So, that said, as we've kind of unveiled and started rolling out some of our Smoother Ride strategies, we've gotten lots of great feedback from all of you with the video series that I started releasing in roughly the second half of 2022 and continued into the first quarter of '23 with my fifth video in that series. If you're interested in learning more about that Smoother Ride series, it's focused in on the traditional stock and bond portion of your Fidelity portfolios, and it's a way that for certain people that it makes sense for, especially those in retirement. There are a couple of different strategies you may remember – conservative, balanced, aggressive.

A balanced strategy has a 70/30 stock/bond target when it's fully invested, and carries a risk profile of a 44 currently according to Riskalyze, for example. So, if you were to implement a balanced strategy in your portfolio, and let's say you had a risk 1 cash account or a risk 1 fixed indexed annuity, you can end up with a pretty mild or moderate portfolio, you know, maybe in the 30s or low 40s. The stock market or the S&P 500 if you had a Fidelity or Vanguard Fund, comes in around a risk of 76 or 77 for context.

So, we've had really great feedback. We appreciate the questions continuing to come. If you have not taken a deeper dive for your personal situation, and you have interest, just please email questions@richmondbrothers.com. Title the subject, "Smoother Ride," and our team of advisors would be happy to coordinate a discussion with you and look at risk profiles and talk about your goals and ambitions and see if it could work as a possible strategy for you. We also want to continue to work with you on your personal risk profiles to make sure that we are in line with your comfort level and help you move forward with your retirement income plans.

We are very grateful to have you as part of our Richmond Brothers family. We know that the world is far from perfect and the world is going to throw things at us constantly, so we're honored to be here to help educate, inform, and guide you no matter what is going on in the markets or in the world. Thank you so much for tuning in. We appreciate you. If you have any questions, please reach out at questions@richmondbrothers.com. We are honored to be here to serve you. Thank you so much.

Sources:

Research Reports

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