Matt's Minutes: 4th Quarter Optimism?
August 2023 Recap "Closed Captions"
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Hi everyone, this is Matt Curfman from Richmond Brothers here with an August edition of Matt's Minutes. Thank you so much for tuning in. I'm going to try to keep this video fairly short as we wind down the summer and not bore you too much with economic data, but I do have some important pieces of information I thought worth sharing as we head into the month of September. And we've got a little guest visiting us today. Can you see my little puppy there? He is laying in the sun in his dog bed. He's not terribly interested in what I have to say, but I hope you are. His name is Parker and he's a Goldendoodle and all he cares about is getting walks and getting pets and getting lots of treats and love from me. If only life could be that simple.

So, as we head into the fall here, I did some math and I've been talking to you about the last two years from June 30 of '21 all the way up until the end of August of '23, so 2 years and 2 months. Just to kind of give you some data, if you look at broad benchmarks just to get an idea of the environment, the Nasdaq during that time was -3.2%, the Dow Jones was +0.6%, and the S&P was +4.8%. If you average those three broad stock market indices for the last 2 years and 2 months, 26 months total, they average less than 1%. If you then go say, well if I were safe and in bonds, what did bonds do? The Bloomberg US aggregate bond benchmark actually was down 11.7% during that 26-month period. I bring this up just for context. So, it feels like year-to-date things are getting a little bit better. Some of the extreme things that when we started the year 2023 that seemed to be pretty negative and pessimistic, such as surging inflation, rising interest rates from the Fed, which translates into higher mortgage rates, higher debt rates, and that basically makes things more expensive.

We had also just come off 2022 with a pretty beaten up both stock and bond market, so investors were feeling pretty exhausted from that down trend and down swing. We also had inverted yield curve, and what that usually means is long-term rates are less than short-term rates. Most times in history when you have an inverted yield curve, that's typically a predicator to an eventual recession.

Over the weekend I read an article. There was a lot of thought coming into 2023 that sometime in the 2023 year we could see a recession. Goldman Sachs just recently released an updated research report over the weekend and this morning and in it, they lowered their odds of recession in the next 12-month period down to a 15% likelihood. It was at a 20% mark before. And these are 12-month forecasts. They basically said, we can see the economy still slow down a little bit in the 4th quarter, but very low odds of recession, according to Goldman Sachs. There's always that possibility. There's always the possibility of a black swan event. It's something that we can't control. It's something that isn't an economic or business cycle. But, when you look at the data, that was actually very encouraging to hear because the word 'recession' is still on our mind.

With all of that said, there is some optimism possibly heading into the 4th quarter, whether that means stocks and bonds start growing in a straight line – we sincerely doubt that. There is room for hope and for potentially positive outcomes. We would certainly welcome just some positive numbers in markets and stocks and bonds as we wind down the 2023 year and kind of move forward. That said, we do think it's real important still to have some cautious optimism. So, having some risk 1 assets, really safe, really good down-side protectors even for those of you that have utilized some of the Smoother Ride options through Fidelity. On a forward basis, those also add some protections with trailing stop losses on some of the funds, so if there were something really extreme negative to happen, it doesn't completely stop down-side, but largely mitigates it and adds some safety nets or soft landing so to speak.

So, if you haven't already checked those out, please let us know. We'd be happy to put together a proposal to review if it could make sense for your specific situation. Remember, Smoother Ride is the Beacon strategy. We use it on Fidelity accounts, and we overlay that by implementing it with Vanguard exchange traded funds. So, if you have a lot of Vanguard funds already in your portfolio at Fidelity, you may already be using the Beacon strategies. If not and you're curious, please just email us at questions@richmondbrothers.com and your advisory team would be happy to put together a short proposal just to get you the information and see if it could make sense just based on your risk tolerance and your risk profile. The goal of these videos is to educate, to inform and our aim is to help guide you no matter what is going on in the world. We hope you have a great start to September, a great start to the fall, and we are grateful for the opportunity to work for you and to serve you. If this is helpful, please feel free to share this message with others. Thank you so much for tuning in and I look forward to connecting soon.

Sources:

Ycharts

Research Reports

Goldman Sachs cuts recession odds, says a September hike is 'off the table'