



January 2024

My economist friend set a half-filled glass of water in front of me and asked if it was half full or half empty. I picked up the glass, looked at it, and drank it. I said I was a problem solver. Well, there you have it, a succinct summary of 2023.

The year started out with recession fears on the minds of most economists and analysts and some of the public. It did not happen. The slow-moving effects of the Fed rate hikes are still to come, perhaps this year.

Inflation was a ubiquitous issue, but was it really? Certainly the cost of a dozen eggs was scrambling our pocket change. The price at the pump was high until the Strategic Petroleum Reserves were drained like the glass of water I drank to solve a problem. And today, after many price ups and downs, gas prices are at bearable levels.

The worries over inflation are lessening. According to the Fed's preferred measure of inflation – the personal consumption expenditures price index (PCE) – inflation came in at their target of 2% for the six-month period ending in December. We, the US economy, achieved this at the same time that our economic growth for the year came in higher than expected, at 2.6%. The factors driving the growth include increases in

consumer spending, business right-sizing inventory levels and investing in fixed assets and government spending.

China was going to be the economic engine early in the year; everyone was hoping that their revival would add to the across-the-board global revival – in energy, commodities and liquidity. Not so fast! WHO knew that real estate problems would break the banks and generally cause harm to the citizens. Xi also called on the citizens to increase the population as a way to increase the demand for housing and consumables. By year end the economic implosion was loud and heard world-wide. Trade was also slowing in East Asia, affecting Japan, South Korea and Viet Nam.

The effects of the conflagration in the Middle East even exceed those of the war in Ukraine.

All of this has the potential to lead to supply shocks akin to what the global economy felt in 2020.

While the stock market was a rocky ride in 2023, the three main indexes ended the year at record levels. This is partly due to the end of year surge seen in all but nine of the last 152 years. Most international stock markets, with exceptions, e.g., China, also saw gains in 2023.

What do we need to keep an eye on going forward in 2024?

We can't talk economics without talking about geopolitical turmoil. Nobody can predict what will happen around the globe but we do know that supply chains and oil prices will continue to be heavily impacted by the fighting.

While conventional wisdom says that elections affect the financial markets, Investopedia and ZeroHedge have both found that the party running the country does not make a difference for the stock markets. What is most affected in the months leading up to an election is confidence, both consumer and business. This is due to the uncertainty around the election and what economic policies the winner will institute.

Looking ahead to 2024, what does all of this mean to the investor?

How is the Fed reading the economic data? Will they start to reduce interest rates? Is expected growth already factored into stock prices? Are the gains in the stock market too heavily weighted by mega-tech and AI stocks? Will demand keep up? Will unemployment levels stay at a healthy level below 4%? Will labor shortages derail business growth? What about international growth? (Germany, the largest economy in Europe, actually shrank last year.) Will there be a recession in 2024?

I leave you with one final question: If paying a cashier a living wage is inflationary, why doesn't replacing a cashier with a self-checkout make prices go down?

Have a super financial 2024, George

I can help you to navigate through these uncertainties and more. Please feel free to call (215-836-4880) or email the office (ellend@regardingyourmoney.com) to set up an appointment. Or visit us at regardingyourmoney.com