

November 1, 2023

Dear Friends and Clients,

The penultimate month of the year is often a time to reflect and offer thanks. And while economic and geopolitical uncertainty can overshadow the positives, there are things to be thankful for. Here is just some of what we're thankful for, now that we're in the second to last month of the year.

- **Resilient U.S. economy.** Coming into 2023, the dreaded R word (recession) seemed a near certainty. But the most recent data showed our economy grew at a strong 4.9% clip (annualized) during the third quarter, the fastest rate since the initial COVID-19 recovery. Even though borrowing costs are rising, the consumer remains in good shape, bolstered by a strong job market and rising wages. While the economy is likely to slow in coming quarters, it's unlikely to slow enough to concern stock markets, given the health of consumers and corporate America.
- **End of the earnings recession.** In our opinion, solid third-quarter earnings (vs. expectations) mean the earnings recession is almost certainly over. The market's reaction to results has been mixed at best amid all the uncertainty. But a 5% year over year increase in S&P 500 earnings is a distinct possibility—perhaps 10% excluding the energy sector.
- **Easing inflation pressures.** Surging inflation and the Federal Reserve's (Fed) aggressive response were the big stories of 2022. But it seems inflation has eased enough to keep the Fed on hold at its next few meetings, and potentially cut rates in 2024. Historically, stock and bond markets have tended to perform well after rate-hiking campaigns.
- **Fixed income is an attractive asset class again, despite recent bond bumpiness.** After nearly a decade of very modest returns, yields for many fixed income investments are the highest they've been since 2007. Starting yields are the best predictors of future long-term returns, so at these higher yield levels, fixed income returns may be higher too. Moreover, yields for some of the highest quality fixed income sectors are offering attractive income again—which practically eliminates the need to invest in low quality bonds to generate income.

There's no doubt this year has been challenging, given increased economic and geopolitical uncertainty. But taking a balanced view on the economy and the markets, we believe there are some positives that may help stocks finish the year higher. Even in the face of potential volatility, focusing on longer-term goals while tuning out short-term noise remains highly recommended.

Please reach out to me if you have any questions.

Best regards,

Victor



Victor S. Levy, J.D., LL.M., CLU, CFP®
1818 Market St | Suite 3232 | Philadelphia, PA 19103
Main: 215-875-8720 | Fax: 267-875-8756

vlevy@levywealth.com

www.levywealth.com

[Click here to send me a secure file](#)

Securities offered through LPL Financial, Member of FINRA/SIPC. Investment Advice offered through Levy Wealth Management Group, a registered investment advisor and separate entity from LPL Financial.

CA Insurance Lic# 0E70025
Levy Wealth Management Insurance Lic# 0N00344
Leon Levy & Associates Lic# 0G83967

Important Information

This material is for general information only and is not intended to provide specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors or will yield positive outcomes. Investing involves risks including possible loss of principal. Any economic forecasts set forth may not develop as predicted and are subject to change.

References to markets, asset classes, and sectors are generally regarding the corresponding market index. Indexes are unmanaged statistical composites and cannot be invested into directly. Index performance is not indicative of the performance of any investment and do not reflect fees, expenses, or sales charges. All performance referenced is historical and is no guarantee of future results.

All data is provided as of October 31, 2023.

Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services. LPL Financial doesn't provide research on individual equities.

All index data from FactSet.

The Standard & Poor's 500 Index (S&P500) is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

This Research material was prepared by LPL Financial, LLC. All information is believed to be from reliable sources; however LPL Financial makes no representation as to its completeness or accuracy.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Past performance does not guarantee future results.

Asset allocation does not ensure a profit or protect against a loss.

For a list of descriptions of the indexes and economic terms referenced, please visit our website at lplresearch.com/definitions.