

Wasatch Capital Management Newsletter

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WCM Newsletter

Integrity, diligence
& unwavering commitment



Gratitude

At this time of year there is a lot of opportunity to GIVE and also reflect on those things that we are grateful for.

Stan talks to many of you about wealth being a mindset. We work hard to help you achieve your financial goals so you can find that wealth mindset and peace in your life.

We are certainly grateful for all we have and for the opportunity to serve all of you as clients and friends.

There is a lot of uncertainty in the world and things to be worried about right now. If anyone you know wants to have a conversation, our office is always a safe place to talk finances.



DID YOU KNOW ?

Wasatch Capital Management website

Did you know that WCM has our own [website](#)?

Our website has our previous monthly commentary from months past that you can access along with other Raymond James Resources.

The resources page will have Raymond James commentary on the Markets, Fed actions, and other Investment/planning topics. This week there is a fun commentary on the Bond markets called [Twas a week before Christmas 2022](#).

This website also has a place to directly login to the Client Access Portal.

The WCM team has grown a lot over the past year. You can see the full team and our Bio's on the [site](#) as well.

Also, Nicola will be working on a review of IRAs this coming year. She will be verifying all IRA Beneficiaries. If your IRA does not have beneficiaries listed then she may be reaching out to you.

Your Financial Advisor can help you plan for If you have questions or need any assistance, please contact us at any time. As always, we look forward to speaking with you.

Tea Leaves –Article by Mark Lazar

Mark Lazar is an independent writer with Pathway to Prosperity and is not affiliated with Raymond James. Views expressed by this writer are the current opinions of this author and not necessarily those of Raymond James & Associates.

Give me a one-handed Economist. All my economists say 'on the one hand...', then 'but on the other...' .

-Harry Truman -

Item	YTD Change
Dow Jones Ind Avg	-4.81%
S&P 500 Index	-14.39%
EAFE Foreign Index	-16.78%
Emerging Market Index	-21.08%
Barclays Agg Bond Index	-12.62%
10-Year Inflation Forecast	2.43%
Unemployment Rate	3.7%

**Market index data as of 11/30/2022*



Economics is a social science that seeks to analyze and explain the production, distribution and consumption of goods. But unlike chemistry, physics, or biology, economics is a soft science. Whereas there is no disagreement among scientists that a water molecule is comprised of one atom of oxygen bound by shared electrons to two hydrogen atoms, economists can't seem to agree on something as basic as the definition of a [recession](#) or [full employment](#).

While technology, medicine, and astronomy have made incredible advances over the past fifty years, the field of economics seems to have plateaued, or perhaps taken a step or two backwards. The collapse of the Soviet Union and contrasting success and prosperity of western capitalism ought to have been the coupe de grace for socialism. However, [Marxist ideas](#) are alive and well in American universities as evidenced by a [near even approval rating](#) (with a [free market](#)) among millennials and Gen-Z. In fairness, their lack of confidence in western economic policies was likely shaken when the top policymakers, Fed chair Powell, and Treasury secretary, Yellen, were not just completely wrong in their inflation forecasts, but seemed incapable of explaining the root cause. How can you possibly fix a problem when you don't understand the underlying cause? And for the record; it's the [money supply](#).

Beginning in 2020 government mandated lockdowns jettisoned [23 million](#) Americans from the workforce. Not surprisingly, industrial production collapsed by [17%](#), yet in the following two years household net worth *increased* by a remarkable [37%](#). How is this possible, you might ask? What sort of wizardry could increase wealth while slashing the workforce by 14%?

Rahm Emanuel famously said, "Never allow a crisis to go to waste," and US policymakers clearly heeded his advice. It's always in the nature of government to grow and the COVID virus provided the cover bureaucrats needed to do just that. In the three years prior to COVID, the [deficit](#) (federal revenues minus federal spending) averaged [\\$.81T](#)/year. However, between 2020–2022 the annual deficit tripled, averaging \$2.43T, for a total of . Furthermore, the Federal Reserve expanded the money supply by [\\$6.3T](#) or 41% during the same period. Thanks to the benevolence of Uncle Sam and Uncle Jerome, Americans felt richer despite policies that were antithetical to wealth creation. But what does any of this have to do with tea?

Truth be told, economists are generally about as successful at predicting the future as palm readers. However, I'd wager that over the past two years palmists fared better than the most seasoned veterans on Wall Street. But in defense of my peers, economists rely on certain indicators by which to assess the present as well as forecast the future. [Keynesian](#) government stimulus intended to counter the deleterious effects of the lockdowns overshot the mark, and not by a little. Excessive federal spending and money printing, which funded the \$2.2T [CARES Act](#), created massive distortions in the labor market, asset prices, interest rates, and perhaps most importantly, behavior. Lockdowns combined with stimulus checks produced pent-up demand not witnessed since the end of WWII. A phenomenon economists dubbed *consumption shock*. Consumers redirected dollars normally earmarked for restaurants, travel, concerts, sporting events, and the like, initially to online merchandise, but then quickly shifted to home fitness equipment, home entertainment/streaming video services, home improvement, new cars, and most surprisingly, real estate.

In addition to changes in consumer behavior, the labor market was also affected. When you reward something you get more of it, when you punish something you get less of it. Hence, when [unemployment benefits exceeded wages](#), people chose to stay home. While tens of millions of Americans collected unemployment, employees and employers ironed out the bugs of working from home, effectively boosting wages by reducing commute time and associated costs. Zoom meetings were ubiquitous and casual Friday became casual every day.

Economists closely follow a number data points, such as interest rates ([yield curve](#)), the [breakeven rate of inflation](#), [leading economic indicators](#), commodity prices, stock prices, [unemployment rate](#), etc. Free markets (market forces) do a myriad of wonderful things, one of which is serve as a price mechanism, which allows the forces of supply and demand (as opposed to the government) to determine the price of commodities, Market prices, both [spot](#) as well as [futures](#), provide invaluable data that allows economist to forecast economic trajectory.

Communism failed for the simple reason that a bureaucrat in the capital city has no idea what to charge for a loaf of bread, a gallon of milk, or a jar of peanut butter. Furthermore, they don't know whether to bake a loaf of white, wheat, or gluten-free bread. Low-fat, whole, soy or almond milk? Creamy or crunchy? How much should they produce of each? And how would they know how much is a baker, farmer, or engineer is worth? They wouldn't. But the market does. Except, of course, when government interferes with market forces, which it did in an extraordinary manner over the past two years.

The post-pandemic price volatility, spike in inflation, [collapse in real wages](#), supply shortages, and countless other factors aren't due to the COVID virus, but rather overzealous government remedies. Which brings me to the point of this month's missive. Economists struggle to accurately prognosticate the future during "normal" times. Considering government threw everything, including the kitchen sink, at the wall to see what stuck, historically good indicators of economic trajectory are no longer so. Hence, with unprecedented government stimulus still working its way through the system, reading the tea leaves will be extremely challenging, so don't be surprised to see wildly contradictory economic outlooks for the foreseeable future.

Mark Lazar, MBA
CERTIFIED FINANCIAL PLANNER™
[Pathway to Prosperity](#)

Doing good together

LEARN how you can help prevent suicide.

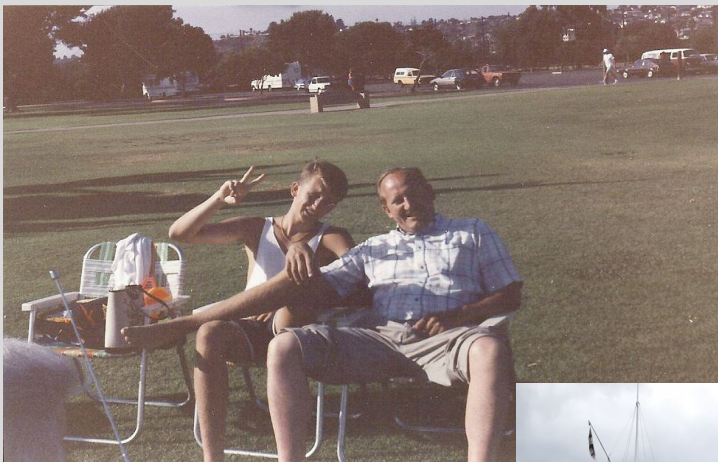
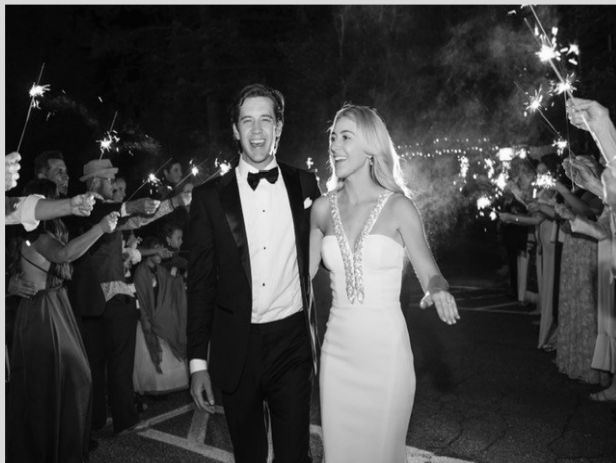
- L**ook for signs.
- E**mpathize and listen.
- A**sk directly about suicide.
- R**emove the danger.
- N**ext level of care.

PROTECT YOUR FAMILY: Suicide Prevention Education. Family & Children's Services

WCM Team This Month

Matt

Matt and Sam celebrating the wedding earlier this year.



Stan

Feeling sentimental after losing my father on Thanksgiving morning to a heart attack. Here are 2 favorites. Me at about 16 with my dad in San Diego and us finishing the round of our lives (we shot 77 and 83) at the Old Course at St Andrews for his 70th birthday in 2018.

Love and miss you dad!



Rees

Rees and Lisa at the WCM Holiday Client Appreciation Event at the Ken Garff Scholarship Club

John

John and Shawn in Maui





Nicola

Nicola and sibling annual Thanksgiving pose

Jon

Jon and Tainui at the Ken Garff Scholarship Club after the Client Appreciation Event at Rice-Eccles.



Jessica

Jessica's daughter, Amelia, performed a dance at the Festival of Trees.

Susan

Susan and Tim in Jamaica





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