214 W College St.
Murfreesboro, TN 37130
615.849.2250

**July 2023 Mid-Year Review**

## Buy High

The economy in the first half of the year has been described as resilient, unexpectedly strong, and surprising. It has weathered the effects of a prolonged war in Ukraine, spy balloons, the largest bank failure since 2008, a near-miss of US Government debt default, higher interest rates, and weak earnings growth in the S&P 500 companies. Even though a large majority of economists were predicting a recession in the first half of 2023, GDP has grown 2% and 2.4% in the first two quarters of the year (US Dept of Commerce) and the S&P 500 rebounded to make up over half of its decline in 2022. GDP growth is most likely explained by the remainders of government stimulus dollars working their way through the economy and the equity market rebound is most likely attributable to optimism that the Fed is nearing the end of the rate increase cycle due to cooling inflation.

For the remainder of 2023, the outlook seems to point toward more volatility in equity markets than what was observed in the first half. S&P 500 earnings growth in Q1 2023 was down 6% from Q3 2022 and expectations seem to be declining. Furthermore, the Federal Reserve still sees reasons to continue to raise rates and job growth has been slowing. Higher rates on mortgages, auto loans, credit cards, heavy equipment, construction loans, etc. are destined to attack the growth in both GDP and corporate profits. Raymond James CIO, Larry Adam, anticipates GDP growth to fall for the remainder of this year and only be 0.5-0.7% in 2024 (ISQ Q2 2023).

In case you were looking for a silver lining…have we mentioned that interest rates are higher?? Rates on fixed income products are at levels not seen in over 15 years. For a lot of years, it has been natural to want to keep investments in short term CD's and bonds because rates were so low. Now that rates have increased, it may be time to consider some investments that lock in rates for a longer period of time. That could mean extending your maturities on the bonds in your portfolio, buying a 2-year CD rather than a 6-month CD at the bank, or even buying a 5-year product with a fixed rate. We recognize that can be uncomfortable and we would never want you to lock in funds that you need for expenses. However, with declining GDP estimates and decreasing inflation, there could likely be decreases by the Federal Reserve in late 2023 or 2024. Mr. Adam is estimating that the Fed will decrease rates by 1.5% next year. None of us have a crystal ball, but we know there is value in certainty. If you haven't already, you may want to consider buying high (rates, that is…).

**Rick LaLance**
*Senior Vice President*
*Wealth Manager, RJFS*
*Pinnacle Asset Management*

**Lori McKellar**
*Vice President*
*Financial Consultant, RJFS*
*Pinnacle Asset Management*

***YTD Change as of 7/31/23***

| | |
|---|---|
| S&P 500 | +19.52% YTD 7/31/23 (Raymond James Market Summary) |
| NASDAQ | +37.07% YTD 7/31/23 (Raymond James Market Summary) |
| DJIA | +7.28% YTD 7/31/23 (Raymond James Market Summary) |
| Russell 2000 | +13.74% YTD 7/31/23 (Raymond James Market Summary) |
| Global Dow | +14.97% YTD 7/31/23 (Raymond James Market Summary) |
| 6 month Brokered CD Rate | 5.2% as of 08/02/23 (Raymond James Trading Platform) |
| 10-Year Treasuries | 3.95% +8 bps YTD as of 7/31/23 (Raymond James Market Summary) |

*The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The Global Dow is an equally weighted stock index. It is composed of the stocks of 150 top companies from around the world as selected by Dow Jones editors and based on the companies' long history of success and popularity among investors. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow", is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. The NASDAQ Composite Index is an unmanaged index of securities traded on the NASDAQ system. The Russell 2000 index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks. It is a market-cap weighted index. CDs are insured by the FDIC and offer a fixed rate of return, whereas the return and principal value of investment securities fluctuate with changes in market conditions. Diversification and asset allocation do not ensure a profit or protect against a loss. Guarantees are based on the claims paying ability of the issuing company. Raymond James Financial Services, Inc. does not provide advice on tax, legal or mortgage issues. These matters should be discussed with the appropriate professional.*

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