EXENTENDED FESTIVITIES:

DID SANTA OVERDELIVER RETURNS IN 2023?

As we close the final quarter of 2023, it's important to reflect on the year's financial journey. The conclusion of 2023 was remarkably different from how it had started.

If we think back to the start of 2023, we entered the year having suffered a bear market for global stocks alongside rising inflation the likes we haven't seen since the 70s, which prompted the worst bond market in recorded history. It wasn't all doom and gloom; investors entered 2023 with some optimism after rebounding off lows in October and rallying into year-end. There were still some concerns moving forward, and that little bit of optimism was quickly vanquished by March as Silicon Valley Bank, Signature Bank, and First Republic Bank collapsed, igniting flashbacks of the Great Financial Crisis of 2008. However, if there is anything we have learned since 2020, it is to expect the unexpected, as this tends to be the new normal.

Despite these challenges, there have been opportunities for growth and strategic investment. In the face of inflationary pressures, bank collapses, and war, our team has remained committed to navigating these complexities with a data-driven approach. This past year, we saw artificial intelligence fever take hold of the markets, propelling the "Magnificent Seven" stocks higher. In fact, the top 10 stocks in the S&P 500, which included the "Magnificent Seven," contributed 86%[1] of the stock market's overall gain. Overall, 2023 was a rally among most major asset classes. US stocks finished the year up 26.9%[2], while international stocks followed suit up 16.2%[3], and bonds even rebounded by 5.5%[4]. Much like 2022, a large part of this year's returns came in Q4. As we saw, US stocks, international stocks, and Bonds were up 11.6%[5],9.8%[6], and 6.8%[7], respectively.

Looking ahead to 2024, our focus remains on the health of the US economy, monetary policy, and the idea that a recession may be kept at bay enough to label the recovery a "soft landing." If that's the case, then the market has likely moved too far in its anticipation of interest rate cuts from the Federal Reserve. Despite this move, we continue to find opportunities in fixed income and have shifted the bond allocation of portfolios from short-duration (short maturity and less interest-sensitive) to neutral duration (intermediate bonds with more interest rate exposure).

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We are dedicated to providing investment management and strategic wealth planning to Indian tribes and high net worth individuals. Simply put, we strive to be our client's trusted advisor.

As a financial advisory firm, our primary focus is to provide unbiased opinions that are designed to achieve long term investment results. FSA Investment Group does this with the highest levels of trust, integrity and respect while always collaborating using a team approach. We are dedicated to professionally supporting, educating, and providing informed direction to each and every client.

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850.696.1550
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In addition, we are still holding somewhat elevated cash balances relative to our normal targets and look to deploy this when markets provide the opportunity to do so at lower prices. With this year being an election year, we are expecting to see more volatility driven by both domestic and global factors. While US corporate earnings have been muted lately, we are seeing some signs they may be bottoming and could be an upside surprise. However, with US corporate valuations elevated, we are not expecting to see outsized gains this year, as 2023 may have been an early Christmas present. Investors are now looking ahead to 2024 with hopes of avoiding coal in our stockings via a recession, as we are left to wonder if Santa may compensate for this year's generosity by providing fewer presents in the way of returns by the end of 2024. If anything, we should expect a bit of back and forth as we navigate the investment landscape of 2024.

Sources:
1 JP Morgan Guide to the Markets;
2-7 YCharts: 2,5: S&P 500 Index Total Return; 3,6: MSCI ACWI Ex- US Index Total Return; 4,7: Bloomberg US Aggregate Bond Index Total Return

850.696.1550 www.fsa-ig.com Alabama | Florida | California