December 31, 2023
Economic Update

LANDMARK WEALTH MANAGEMENT

Financial Market Update

All asset classes rallied during the 4th quarter, contributing to a strong year for markets. After overcoming initial weakness due to geopolitical conflict in the Middle East, market sentiment shifted when the Federal Reserve alluded to the end of the current rate hiking cycle. Equities and Fixed Income saw continued strong performance as more economic data points supported the Fed's stance.

Interest rate sensitive asset classes such as Real Estate, Infrastructure, and Fixed Income led all asset classes for the quarter. For 2023, US Equities had the strongest year, followed by Developed International Equities. Fixed Income returned 5.5% for 2023, bolstered by the strong underlying yield.

We are positive on both Equity and Fixed Income prospects in 2024, although markets may not continue at the strong pace they closed the year with. Valuations in most Equity asset classes remain attractive, earnings forecasts are supportive, and Fixed Income yields are at levels not seen in years. Periods of volatility will likely continue given the US election cycle, geopolitical conflict, and market positioning on Federal Reserve rate cut timing.

Asset Class	Q4 Returns	2023 Returns
US Large Cap	11.7%	26.3%
Equity Alternatives	11.1%	21.5%
Developed International	10.4%	18.2%
US Mid Cap	11.7%	16.4%
US Small Cap	15.1%	16.1%
Real Estate	15.5%	10.2%
Emerging Markets	7.9%	9.8%
Multisector Bonds	5.7%	8.1%
Infrastructure	10.7%	5.8%
US Core Bonds	6.8%	5.5%

An index is a hypothetical portfolio of securities representing a particular market or a segment of it used as indicator of the change in the securities market. Indexes are unmanaged, do not incur fees and expenses and cannot be invested in directly

The Fed, Interest Rates, Fixed Income

The Federal Reserve kept rates unchanged at their final two meetings in November and December. More importantly, the committee's messaging changed in the 4th quarter, forecasting three rate cuts in 2024 and all but cementing that the current hiking cycle is over. Rates fell sharply over the last two months of 2023 as markets adjusted to this new information. The market's focus has shifted to the timing and extent of rate cuts. This will cause short-term movement in interest rates as various economic releases come out; however, this is an attractive investing time period for Fixed Income.

Headline inflation finished the year at a 12-month pace of 3.4%, although the core (excluding food and energy) reading remains stickier at 3.9%. Much progress has been made on the inflationary front over the last 18 months. There remains work to do, and the Federal Reserve is likely to be patient in the timing of interest rate cuts.

Employment

2023 saw a robust job market, finishing in December with the economy adding 216,000 jobs and the unemployment rate at 3.7% - adding to the narrative of a stronger US economy. Wage growth slowed in 2023 but remains slightly elevated to where the Federal Reserve prefers it to be. Signs of weakness have emerged recently, with weekly hours worked decreasing and temporary help services cutting jobs. The health of the job market will be closely watched in 2024.

US Economy

The 3rd quarter estimate for GDP growth came in at 4.9%, fueled partly by temporary items such as government spending and auto companies frontloading work in anticipation of the 4th quarter strikes. The pace of growth in the 4th quarter is expected to have slowed, but on an annual basis, forecasters have US growth at an above-average pace of 2.4%. For now, signs of a recession have eased, and growth is expected to be between 1.0 and 1.5% in 2024.

2024 In Focus

Markets will be influenced by many factors in the coming months: (1) the extent to which growth and inflation slow, (2) the timing of Federal Reserve rate cuts, (3) geopolitical tensions, and (4) the US presidential election. If 2023 has imparted any lessons, it is that markets are resilient. We remain positive on opportunities for diversified Equities and Fixed Income.