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We appreciate your introductions to friends, family and business associates, as well as your continued confidence in us.

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## Market Update

### Closing the Door on 2023

It is almost common knowledge that the market and the firms on the Street have a great fascination with predictions and forecasts. Unfortunately, these attempts to predict the future based on assumptions and probabilities will unfortunately often miss their mark. As we think back to 2023, it was a year ripe with predictions and forecasts. But in retrospect few of those forecasts came to pass, at least in the time frames that they were expected to occur.

2023 began with talk of a recession and an unrelenting Federal Reserve committed to fighting inflation. It ended with questions about the Fed's heavy hand and conjecture about taking some of those increases back. In between, the markets experienced a banking crisis, increasing geopolitical tensions and a new "space race" with the introduction of Ai into our everyday lives.

Those first six months of '23 seemed to defy the gloomiest predictions. Despite the headwinds of high rates, global conflict, and a tentative consumer, the market just kept chugging along. To clarify, most of the market defied the naysayers but under the surface there were some signs of weakness. The impact of higher rates for example, had an impact on home sales. The residual effects of the pandemic still influenced the supply chain and getting goods into production. Nevertheless, the consumer would not be denied! Having been a "shut in" for two plus years of the pandemic, consumers were bent on spending.

As 2023 evolved, the debate as to market outcomes continued. Those who maintained that higher rates would be the strangle hold on growth stood their ground. Others pointed to signs of a slowing economy with a Fed easing of rates as the logical next step.

In mid-March, the markets experienced a most unexpected banking crisis. It began but was not limited to, a "niche" bank in California. The conclusions drawn from this failure seemed to center on the "imbalance" in the funding of the bank's immediate liquidity needs. Looking to reassure the markets in the age of instantaneous news flow, the government stepped in with a number of stabilizing measures.

Over the summer months, the markets were increasingly excited about advances in Artificial Intelligence. The news regarding the many potential applications fueled a select group of companies each introducing their latest technology. Other companies that found themselves on the receiving end of this technology, were scrambling as to how they would incorporate Ai into their business model.

The first months of 2024 are still digesting and questioning some of the themes that dominated 2023. Has the Federal Reserve succeeded in hammering down inflation? Will we need to learn to live with higher rates for longer? Is the AI story getting ahead of itself and will that part of the market need to catch its breath? Will the markets themselves broaden out beyond those that got the moniker, "The Magnificent Seven," which have had such a disproportionate impact on market index returns.

We continue to closely watch the banks, especially those known as the "Regionals," as they deal with retaining depositors and managing their loans in a weakened commercial real estate environment. And, of course, we remain continuously focused on any potential influences on client portfolios whether they be geopolitical tensions, the next moves of the Federal Reserve or the upcoming Presidential election.

Please be sure to visit our website at

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