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Happy New Year 2024 !

At the beginning of each year, one tries to make predictions and forecast the possible elements that will combine to create that years specific financial future.

At the same time, we know that this is at best an uncertain undertaking. Uncertain that is, in the Heisenbergian sense.

The phrase “It is difficult to make predictions, especially about the future”, has been credited to both Niels Bohr and Yogi Berra. Never-the less, I think the purpose behind making predictions is to aid in anticipating a range of most likely future events in order to be better prepared to react if they occur.¹

Of the many uncertain events that are likely in 2024, interest rate changes will be a focus.

If the economy remains strong, there may be little incentive for the Fed to reduce rates that could add stimulus to the economy.

Although they may desire to reduce the interest rate they pay banks on required reserves in order to lower the cost of government borrowing, doing so could result in higher velocity of those funds and with it increased inflation.

People sometimes react to perceived inflation and the likelihood of higher prices in the future, by buying now, ahead of the higher prices. Conversely, they may delay these purchases until later if they think prices will not be higher in the future.

This is the same for businesses as well as individuals.

As a result of the most recent statements from Fed Chairman Powell and the Federal Reserve Open Market Committee (FOMC), it is widely expected that the federal funds rate increases of the last two years may be over and that stable or lower rates may be projected for the future.

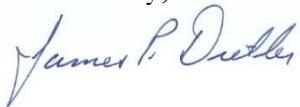
This could result in a narrower or less uncertain cost accounting for those projects that have been delayed and subsequently the commitment of funds that have been parked in savings during the recent nervousness.

This could result too in a more optimistic investment environment, where the desire for growth overcomes the fears of value erosion by inflation.

I think that as a result of this reduced fear, some of these funds could benefit investors by being invested in the equity markets rather than in the fixed income vehicles where they have been resting.

Please call for examples of those that may meet your investment objectives.

Sincerely,



James P Dretler
Senior Portfolio Management Director
Senior Vice President
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1. It's difficult to Make Predictions, Especially About the Future-PubMed, <https://pubmed.ncbi.nlm.nih.gov>>

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