



STRATEGIC CLIENT NEWSLETTER

FOURTH QUARTER 2023

Fourth Quarter Markets Gain, as Inflation Eases

Positive market growth in the S&P 500 and Dow Jones Industrial Average (DJIA) for the fourth quarter of 2023 helped to increase gains across the market indices. The DJIA closed the year at 37,689.54 (+13.70%), and the S&P 500 Index closed at 4,769.83 (+23.79 %). ***We believe we will continue to see a more stable recovery in the stock markets in 2024, as we expect the Federal Reserve to cut interest rates as inflation continues to decrease.***

- Gross Domestic Product for the third quarter of 2023 increased at a rate of 4.9%, following positive growth rates in the second quarter of 2023 of +2.1%. This is mainly due to increases in consumer spending and inventory investment. (Source: www.bea.gov)
- The National unemployment rate remains at record low levels, with a rate of 3.8% (September 2023), 3.9% (October 2023) and 3.7% (November 2023). (Source: www.bls.gov)
- Nonfarm productivity began 2023 with a first quarter rate of -.8%, followed by increases in the second quarter (+3.6%) and third quarter rate of (+5.2%) of 2023. (Source: www.bls.gov)
- The Consumer Price Index (CPI), which measures changes in the price level (inflation) of consumer goods and services, continues to show increasing rates: 0.4% in September 2022, 0.4% in October 2022 and .1% in November 2022. (Source: www.bls.gov)
- Personal Income increased .3% in the third quarter of 2023. (Source: www.bea.gov)
- Corporate profits from current production increased in the third quarter of 2023 by 3.4%, following an increase of .2% in the second quarter of 2023. (Source: www.bea.gov)

FOURTH QUARTER

2023

As of 12/29/2023

Market Performance

www.bloomberg.com

Dow Jones Industrial Average

This Quarter	12.66 %
Year-to-Date	13.70%

S&P 500

This Quarter	11.32%
Year-to-Date	23.79%

Nasdaq Composite

This Quarter	13.57%
Year-to-Date	42.13%

Indices are unmanaged and you cannot invest directly in an index

2024 Outlook

Rising interest rates in 2023 led to a higher cost of servicing our Nation's debt, and we believe government spending will take center stage during the 2024 Presidential election, as debate grows over the federal deficit and national debt. We believe the bitter divisions between political parties will lead to a contentious election cycle, and we expect some market volatility in late summer through the elections in the fall.

Tax policy is another issue that we believe could be further shaped by the 2024 elections, as the 2017 tax cuts (lower individual income tax rates, higher standard deduction, higher estate tax exemption) are set to expire at the end of 2025.

In our 2024 outlook, we are concerned in the following areas, which we will continue to watch throughout the year:

- Inflation: We expect to see inflation continue to moderate and fall during the year.
- Interest Rates: We believe the Federal Reserve will be cutting rates as inflation falls, leading to lower borrowing rates and money market rates.
- The increasing national debt as the U.S. government continues to borrow at higher rates and payments.

Looking ahead to 2024, we expect the stock markets to have continued recovery and growth as inflation subsides, with some volatility around the elections in the fall. **Assessment:** We expect a market recovery in 2024 as we feel stocks are currently fair-valued, and we believe we will continue in this current business cycle in 2024.

We feel that energy prices will cool a bit in 2024, as inflation subsides and the global energy demand decreases. We believe there will be minimal increases in crude prices as overall economic growth is slow to moderate, and alternative energy sources continue to be explored and expanded upon. **Assessment:** We believe oil prices will be \$60-\$80/barrel for WTI.

We expect GDP to grow by 3.5%-5.0% by year end 2024, with moderate inflationary pressure, and expect the Federal Reserve to decrease rates a total of 0.75%-1.25% in 2024 to help ease the higher interest rate environment.

STOCKS

We believe stocks are fair-valued right now, and we expect to see continued recovery in the broad markets as corporate earnings improve. We expect the broad markets to gain between 10-12% in 2024. In particular, we continue to favor financials and mid-large cap value domestic, industrial and manufacturing stocks. We are neutral on international and global stock portfolios, and continue favoring domestic infrastructure stocks. We will continue to focus on low risk (low beta) stock portfolios for added downside protection.

CASH/MONEY FUNDS

Based on Federal Reserve meetings, we expect rates to continue in 2024 in the Federal Funds Rate range of 3.75%-4.75%, as inflationary and growth concerns continue to drive Federal Reserve policy. We believe money market rates will decrease in 2024 as rates decrease.

BONDS

We favor corporate bonds going into 2024, and favor maintaining current fixed income allocations. With the Federal Reserve rates remaining high in 2024, there's a potentially favorable impact to fixed income, and we expect to see returns in the overall bond market of 6-8%.

2024 Retirement Planning

The Secure Act 2.0, which was signed into law at the end of 2022, has some significant changes that may impact retirement planning for clients:

1. As of January 1, 2023, IRA Required Minimum Distributions won't begin until age 73. If clients have already started taking their RMDs, they are not impacted by this change. The law also has the age increasing to 75 in 2033.
2. In most cases, Non-Spousal, Inherited IRAs will need to be fully distributed within ten years, with no changes expected that would require taking mandatory distributions.
3. The penalty for failing to take an RMD would decrease to 25%, from 50%. If the correction is made in a timely manner, the potential penalty would decrease to 10%
4. **After 15 years since account opening, 529 plan assets can be rolled into a Roth IRA in the beneficiary's name, subject to contribution limits and an aggregate lifetime limit of \$35,000.**

<u>Retirement Plan Updates for 2024</u>		
	Contribution Limit	Additional Catch Up (if over age 50)
401(k), 403(b) and 457 Plans	\$23,000	\$7,500
Traditional IRA, Roth IRA	\$7,000	\$1,000
Simple IRA	\$16,000	\$3,500
SEP IRA	\$68,000	-

Tax Season - 2023 Tax Year

As with previous years, please feel free to contact our office to help expedite any tax inquiries you or your tax professional may have, and to assist with any additional information that may be required.

Key Milestone Ages for Social Security Benefits:

60: Eligible for reduced Social Security payments; Remarriage after age 60 does not bar Social Security widower or surviving divorced spouse payments.

62: Eligible for reduced Social Security retirement or spousal payments.

65: Eligible for Medicare; Eligible for SSI aged payments.

65-67: Full retirement age, as determined by birth year, so eligible for unreduced Social Security benefits; maximum spousal and widower benefits; may draw spousal benefits without applying for own Social Security benefits; no earned income limitations.

70: Maximum Social Security benefits; voluntarily suspended payments automatically resume.

Typically, Charles Schwab and Co begins mailing 1099 Forms late January, with the majority sent out by the end of February. In some instances, clients may receive amended tax documents if additional income or distribution information was provided after the original mailing date.

CHB Investment Group Recommendations

Recommendations made by CHB Investment Group, LLC may not be suitable for all clients, and we suggest calling our office to review any recommendations that may meet clients' specific financial needs and risk tolerance.

- We have a bias towards value styles, as stocks have reached what we believe to be fair valuation. We also recommend a slight overweight in mid-large cap stocks, and lower risk equity portfolios.
- We have a neutral bias in international and global stocks.
- We continue to favor corporate debt, and expect a slight overweight to bonds in 2024 as rates stabilize.

CHB Investment Group News

Please call our office with any account related questions or inquiries. We look forward to continuing to serve you in 2024.
Happy New Year!

For clients who would like to receive non-confidential information regarding general market conditions and CHB Investment Group updates, please send your preferred e-mail address to chris.lindenthal@chbinvestmentgroup.com

Past performance is no guarantee of future results.
Indices are unmanaged and you cannot invest directly in an index.
The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value.
The Dow Jones Industrial Average is a price-weighted index of 30 "blue-chip" industrial U.S. stocks.
NASDAQ Composite Index: The Nasdaq Composite Index measures the market value of all domestic and foreign common stocks, representing a wide array of more than 5,000 companies, listed on the NASDAQ Stock Market.
Generally, CDs may not be withdrawn prior to maturity. CDs are FDIC insured up to \$250,000 per depositor per insured depository institution for each account ownership category. CDs may be issued by out of state institutions.
Stocks offer long-term growth potential, but may fluctuate more and provide less current income than other investments. An investment in the stock market should be made with an understanding of the risks associated with common stocks, including market fluctuations. The prices of small company stocks are generally more volatile than large company stocks. They often involve higher risks because smaller companies may lack the management expertise, financial resources, product clarification and competitive strengths to endure adverse economic conditions. There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions.
Investing in fixed income securities involves certain risks such as market risk if sold prior to maturity and credit risk especially if investing in high yield bonds, which have lower ratings and are subject to greater volatility. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline of the value of your investment. All fixed income investments may be worth less than original cost upon redemption or maturity.
Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. Diversification does not guarantee profit or protect against loss in declining markets.
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<i>You should be receiving statements at least quarterly from Charles Schwab & Co., LLC. If you are not receiving these statements, or you need another copy of a statement, please call us and we will provide one to you. Clients are encouraged to review the information on the statements, especially the amount of fees deducted, and compare that information with any information provided by CHB Investment Group, LLC. If there are any questions or discrepancies, please contact us as soon as possible</i>

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