VISIONS INVESTMENT SERVICES THE O'CONNOR GROUP

November 1, 2023

Dear Valued Investor,

The penultimate month of the year is often a time to reflect and offer thanks. And while economic and geopolitical uncertainty can overshadow the positives, there are things to be thankful for. Here is just some of what we're thankful for, now that we're in the second to last month of the year.

- **Resilient U.S. economy**. Coming into 2023, the dreaded R word (recession) seemed a near certainty. But the most recent data showed our economy grew at a strong 4.9% clip (annualized) during the third quarter, the fastest rate since the initial COVID-19 recovery. Even though borrowing costs are rising, the consumer remains in good shape, bolstered by a strong job market and rising wages. While the economy is likely to slow in coming quarters, it's unlikely to slow enough to concern stock markets, given the health of consumers and corporate America.
- **End of the earnings recession**. Solid third-quarter earnings (vs. expectations) mean the earnings recession is almost certainly over. The market's reaction to results has been mixed at best amid all the uncertainty. But a 5% year over year increase in S&P 500 earnings is a distinct possibility—perhaps 10% excluding the energy sector.
- **Easing inflation pressures.** Surging inflation and the Federal Reserve's (Fed) aggressive response were the big stories of 2022. But it seems inflation has eased enough to keep the Fed on hold at its next few meetings, and potentially cut rates in 2024. Historically, stock and bond markets have tended to perform well after rate-hiking campaigns.
- **Fixed income is an attractive asset class again, despite recent bond bumpiness.** After nearly a decade of very modest returns, yields for many fixed income investments are the highest they've been since 2007. Starting yields are the best predictors of future long-term returns, so at these higher yield levels, fixed income returns may be higher too. Moreover, yields for some of the highest quality fixed income sectors are offering attractive income again—which practically eliminates the need to invest in low quality bonds to generate income.

There's no doubt this year has been challenging, given increased economic and geopolitical uncertainty. But taking a balanced view on the economy and the markets, we believe there are some positives that may help stocks finish the year higher. Even in the face of potential volatility, focusing on longer-term goals while tuning out short-term noise remains highly recommended.

Please reach out if you have any questions.