Ropes Wealth Considers Haphazard Data, Heroes, and Holidays

Stocks have continued their downside momentum this week, with growth stocks particularly battered. Economic data continues to pour in, painting a mixed picture of the economy. On the one hand, third quarter GDP was revised higher from a 2.9% increase to a 3.2% gain thanks to stronger-than-expected personal consumption spending. Jobless claims are showing only a modest measurable uptick despite widespread headlines of impending layoffs. The Conference Board's consumer confidence index made a U-turn and surged higher, as consumer sentiment was buoyed by lower gas prices and a plentiful supply of jobs. On the other hand, data on the housing market—housing starts, building permits, existing and new home sales—were all disastrous and down significantly, showing the impact of higher mortgage rates. This morning, we received reports on durable goods orders (which were down), personal spending (also down), and the reading on the Fed's preferred inflation gauge—the PCE deflator—which showed inflation is higher by 5.5% year-over-year, and 4.7% if you exclude food and energy price impacts. All in all, not the rosiest, or clearest, picture of the economy, and as expected, uncertainty and anxiety about that cloudy outlook has stocks declining and dashing hopes for a year-end Santa rally.

For weeks we have been writing to urge you to brace for these whipsawed moments, prioritizing maintaining liquidity and your long-term investment plan as the only way to manage through the emotional rollercoaster of this challenging period. Markets can move abruptly in both directions, and we know from experience that often when economic data and conditions in the world around us are at their worst, markets are rising as they look forward to better days. We saw this during the pandemic period just a few short years ago, and even in 2008 during the worst of the Great Recession. But we are also appropriately cautious this time around, as there is no large-scale stimulus coming from the Federal Reserve or the federal government to ease our path. We therefore urge you to balance your long-term investment strategy with a liquidity/fixed income strategy that is finally offering attractive yields of over 4.5% after years of zero percent interest rates.

As we look forward to 2023, we think there is a shift from the indiscriminate selling that characterized markets in 2022 to a market with more nuance. Those companies that are more highly levered with weak competitive advantages may be exposed as costs of refinancing debt rise. Similarly, companies that have failed to make a profit will be pressured to execute their business strategies and demonstrate financial discipline as the equity markets can no longer be counted on for dependable, easy financing. This could present further challenges to more speculative sectors like biotech. The impact is likely to continue to play out more significantly within smaller-capitalization stocks where leverage rates are high, and unprofitability is more common. As market turbulence continues, we favor companies and funds of companies with an emphasis on quality that should provide some level of resiliency to absorb the shocks.

Speaking of resiliency, this week the world had the opportunity to witness a hero of our times, as Ukrainian President Volodymyr Zelensky took the podium at the White House and in Congress. It is remarkable to consider that 300 days ago, when Russia invaded Ukraine and shocked the world, it was almost expected that Putin would get his way. But when Zelensky stayed in Kyiv and didn't flee, and when the Ukrainians fought back, it became clear it was something world-altering. The most naked act of military criminality in decades was not going to be a cakewalk for the tyrant who initiated it.

Three hundred days later, as was true on the first day, the horrors Putin is unleashing on the Ukrainian people are being met with the most profound display of heroic resistance to tyranny and aggression in our lifetimes. As

Zelensky made a plea for military and financial aid, he was making the case that support for Ukraine is not “charity” but rather an “investment in global security and democracy.” In his rumpled green fatigues, and with the weight of his country on his shoulders, it was hard not to be inspired and hopeful that there are some things worth fighting for in this crazy world.

On that note, it is with great gratitude and genuine sincerity that the entire team at Ropes Wealth wishes you and your families a holiday season full of joy, love, and hope. While market conditions this year have been challenging and may continue to be so at least in the early parts of 2023, we are with you every single step of the way and are doing our best to navigate and keep you on track with your goals and plans. There will be better days ahead, and we will help you through to the other side of these challenging times with personal conversations and the support you need to make the best decisions for your financial life.

Thank you for your interest in our investment commentary. If you would like to speak personally with a member of our team at any time, please click **here**.

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