



Ropes Wealth Suggests This Will Be Our Year (Took a Long Time to Come)

The Zombies wrote and performed that song originally in 1968, and then the Foo Fighters covered it in 2011. At weddings and New Year's Eve it turns up on the radio and at parties, an ode of open-hearted positivity that hints at darker times without dwelling on them.

"Don't let go of my hand/Now darkness has gone/And this will be our year/Took a long time to come.....You don't have to worry/All your worried days are gone/This will be our year/Took a long time to come."

Will 2024 be our year when all our worried days are gone? I sincerely hope so and I know you do too. Between a lingering pandemic, wars, inflation, a banking mini-crisis, political polarization, and a market collapse and narrow recovery, we have been through a lot these last couple of years, and now hope for and perhaps deserve peace in every sense of the word.

Among the legends we lost this year, one of them was named Byron Wien, a self-described "nerdy middle class Jewish kid" who became a Blackstone and Morgan Stanley investment guru well known for publishing his annual forecast '10 Surprises' column each of the past 38 years. In a nod to his work, I give you now my 'Five Forecasts' for 2024 with appropriate humility and as an homage to Mr. Wein, may he rest in peace.

1. The Fed cuts rates, but not until mid-year and not by as much as the market hopes.

Sticky inflation (a decline from the current 3.1% inflation level to the Fed's target 2% level) will keep the Fed offside until mid-2024. The election will crimp the Fed's motivation to cut rates as a reduction in the fall during the countdown to November 5 will be viewed as partisan and undermine the Fed's perceived independence. If we are lucky, the Fed Funds target rate drops from 5.5% to 4.5%.

2. Economic growth will be down but not out in 2024.

Household liquidity trends indicate that for 80% of consumers, excess savings from the COVID era are already gone, and by mid-2024 it is likely that only the top 1% of consumers by income will be better off than before the pandemic. With the consumer sputtering, businesses vulnerable due to higher interest costs, and the rolling risk of government shutdowns in a divisive election year, growth is going to fade. This will prompt rate cuts by the Fed, but not before GDP falters and falls below 1%.

3. Democracy is tested in 2024, but prevails.

The greatest power in the world (the United States), the most-populous country (India), the biggest trading bloc (the European Union), the largest Muslim country (Indonesia), the largest Spanish-speaking country (Mexico) and the territory that embodies the greatest risk of confrontation between the two superpowers of this century (Taiwan) will all hold elections in 2024. Around 70 countries — with a total of more than 3.7 billion inhabitants, or almost half of the global population — plan to hold presidential or legislative elections in the coming year. Without predicting the outcome of those races, I believe the world's population will not miss the chance to let their voice and vote count even if we are disillusioned or disheartened by the options. Democracy is at stake in 2024, and the world knows it.

4. Artificial intelligence (AI) excitement takes a breather as Amara's law kicks in.

"Amara's Law," coined by futurist Roy Amara, succinctly captures a fundamental aspect of human behavior when it comes to emerging technologies: we overestimate their short-term impact and underestimate their effects in the long-term. AI euphoria will slow in 2024, leading to a market broadening as investors focus on those stocks left behind in 2023. However, we should make no mistake that AI is going to transform our world forever, and the real opportunity for each of us will be gaining the knowledge and skill to work with the machines to be more productive, more creative, and perhaps solve some of the problems we face.

5. The stock market will rock, and then roll, to a positive finish in 2024.

Falling inflation, falling interest rates, a still strong job market, and stable and rising corporate earnings are tailwinds that will drive further upside in the stock market next year even as economic growth falters. The prices of most publicly traded companies have not recovered from 2022's market declines, outside of the Magnificent Seven plus the weight loss drugs that have been the market darlings of 2023. Performance will broaden and favor companies with strong free cash flow, lots of cash on the balance sheet, high interest coverage, and healthy real revenue growth—as debt servicing costs will likely grow in importance. Expect gains to come with more of a grind in 2024, but they will come.

The entire Ropes Wealth Advisors team wishes you and yours a healthy, happy, and prosperous 2024. Thank you for your interest in our investment commentary and for your relationship with us. If you would like to speak personally with a member of our team at any time, please click [here](#).

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