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INSIGHTS & OBSERVATIONS

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YOUR GUIDE TO FINANCIAL MARKETS AND INVESTMENTS **December/January 2023**

Welcome back. As we conclude another eventful year investors seem to be accepting the 'interesting times' theme we've discussed over the past several years. Unfortunate and unusual events have grown in frequency, affecting the economy, markets, and lately, our mood.

A poll conducted last month presented the charmingly named 'Rage Index', which has now reached a record high. Inputs for the index include sentiments toward the economy, the government, and various current events. People are not pleased by growing global conflicts, the increased costs affecting their finances, and by growing government intrusion into their lives. Women were angrier than men, and younger people are most frustrated by the economy. Seventy percent of respondents are unhappy with news stories, and overall 57% of us were generally annoyed or angry about the six topics covered in the survey.

As investors we watch the social mood closely, so none of the above reporting is encouraging. It is understandable given the sharp rise of interest rates beyond what was expected, and with the onset of a second war in the Middle East. Politically things remain quite disappointing.

This pessimistic mood is also found in the US, and our second article this month touches on American conditions in more detail. One feature of their sentiment report which did not appear in the Canadian version is always interesting. People in the states today are again revealing a quirk of human nature with their survey answers: they are gloomy about the state and direction of the country, but relatively positive about their own circumstances.

This disconnect occurs regularly in the history of these polls. People expect bad things for the country yet not for themselves despite being residents of and presumably quite affected by the direction of the nation.

All that said, we are seeing enough negativity about prospects for the economy and markets to become somewhat more positive on next year's outlook. Interest rates seem to have peaked at least for now, inflation is down sharply, and the stock market has very low expectations – usually a recipe for higher prices.

I will be away from the office from mid-December through the first week of January, so I'll wish you all an early Happy Holidays, and the best for 2024!

Philip

December's Articles

When I talk to younger people about savings, investments, and how to manage their financial affairs, the conversation can frequently be boiled down to one key topic: How to behave with money.

Great investors know how to manage their innate emotions and understand themselves very well, allowing them to endure the inevitable stresses of markets and life. Unfortunately these skills are not common, nor are they taught in school, which is one key reason most people do not enjoy much financial success.

Further, once people begin to accumulate wealth and begin dealing with larger numbers, the challenges shift to encompass new risks and new problems to overcome. Many wealthy people throughout history have noted that its harder for a family to stay rich than to become rich in the first place.

In the article linked below we return to the thoughts of **Morgan Housel**, a US based financial writer we've included in prior issues. Housel is finding a growing audience for his pragmatic approach to money and its pros and cons. I recently listened to a podcast he did this fall with Tim Ferriss, where they discussed how people react as their wealth grows.

Kids and grandkids of successful families need to receive a 'money education.' The pervasive growth of social media enabling an ever-greater awareness of how others are doing financially can be very risky for young people. Hopefully articles such as this one can help families teach their kids how to behave with money.

https://collabfund.com/blog/a-few-laws-of-getting-rich/

Revisiting the consensus forecasts from twelve months ago, the conclusion was a strong belief we would face recession in 2023.

Interest rates were rising quickly to belatedly deal with the then surging inflation, and companies were becoming much more cautious in their outlooks. People also feared rising rates would cause real estate and stocks to fall, leading to lower spending by consumers and then the recession.

Well with the year wrapping up, clearly we have not had a recession and inflation has now been falling for months, which recently also seems to have ended the rise of interest rates.

Recessions are difficult to predict and timing them is even harder. We likely are in a slowdown now and an official recession is a definite possibility. However the signals are very mixed, most notably when we compare what people say about the economy vs what they are doing in it.

In the article linked below by **Ben Carlson** of Ritholtz Wealth in New York, we delve into this interesting disconnect and consider its origins. As you'll read, things are not getting simpler!

https://awealthofcommonsense.com/2023/11/5-questions-i-have-about-the-economy/

WHAT THEY SAID

"Still let me repeat it one more time. Becoming rich does not guarantee happiness. In fact, it is almost certain to impose the opposite condition – if not from the stresses and strains of protecting wealth, then from the guilt that inevitably accompanies its arrival. "

Felix Dennis

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