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INSIGHTS & OBSERVATIONS

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YOUR GUIDE TO FINANCIAL MARKETS AND INVESTMENTS **February 2024**

Welcome back and welcome to 2024 with our first newsletter of what promises to be yet another strange and interesting year. Investors should once again be ready for the unexpected and pay very close attention in order to navigate the year.

In our last issue we noted that interest rates had stopped rising, and we're now seeing expectations for them to start to fall by this Spring or Summer. I'm less convinced of forecasts looking for more or larger cuts to rates but at least some relief seems fairly likely.

Thirteen months ago the consensus forecast was for recession and an early end to the rate increases which clearly did not happen. Today those recession calls have conveniently been forgotten and a 'soft landing' of the economy is expected. Once again, we'll see.

Despite the rapid and relatively large climb of rates over the past 18 months, the current level of interest rates is about normal or average over the past century in North America. Most of us have heard (or told) stories of mortgages and loans with rates high into the teens during the early 1980s, which was the peak for rates. That dramatic level was required to stop the inflation of the 1970s, but I'd argue the zero then negative rates from about 2009 through 2021 is the most extreme situation in all of interest rate history.

The distortions produced by that 'free money' era are still with us and will be for some time yet. Then just when we were starting an exit from that environment COVID hit, quickly followed by incredibly excessive government spending which has created its own brand-new set of distortions throughout the economy.

These uncommon influences we've endured over the past decade or so have served to make forecasting even more difficult than usual. We do not have many historic parallels to guide expectations from this point, so we are in somewhat uncharted territory.

Lurking in the background is the rapidly growing government debt load, worsened recently by the return to normal interest rate levels. Here we do at least have historical precedents to use, but none of them inspire optimism.

Overall, we're staying careful and patient, choosing to buy when the market has a short-term dip over its latest worry, and spending the rest of the time doing homework on current and potential holdings. Finally, we'd also note there will be over 60 elections this year with over four billion people eligible to vote (although many of the elections are far from free).

Have a great month and year, and take care.

Philip

February's Articles

At the onset of each year our industry produces a tide of annual forecasts and predictions for the year ahead. A few of them are thoughtful and thought-provoking, some are more dramatic and attention-seeking, and many are simply hope disguised as research.

After the past 15 years and the enormous and unusual events we've lived – and invested – through, it seems a little amusing that forecasts still present themselves as serious and actionable. We all certainly should have considered opinions and an outlook for a few economic factors, but without a large nod to life's unknowns it is all too easy to quickly go down the wrong road.

An old saying comes to mind; 'it is not what happens to you in life, but rather how you react to what happens to you that matters'.

In the article linked below by **Ben Carlson** at Ritholtz Wealth in New York, we find a refreshingly honest appraisal of forecasting and forming a strategy for investors to follow. As you will see, less is more, and as recent years have conclusively proven we are living in unusually unusual times!

https://awealthofcommonsense.com/2023/12/the-biggest-risk-in-2024/

WHAT THEY SAID

"Another lesson I learned early is that there is nothing new in Wall Street. There can't be because speculation is as old as the hills. Whatever happens in the stock market today has happened before and will happen again."

Jesse Livermore

Spending money. There are a few ways to define this term and innumerable ways to put it into action. We all make daily decisions and choices which reveal our priorities with money, and they also can expose who we are as people.

The classic division is the 'spender vs saver' personality type which can be considered a spectrum upon which all of us exist. Beyond this though there are many other nuanced levels which lead us to make our own personal decisions and form our spending habits. These preferences are usually set quite early in life as we have our first experiences with trade-offs and watch our parents deal with their money.

One interesting aspect of our childhood's shaping of our adult money personalities is that the exact same environment can influence kids completely differently. They may embrace or totally shun the money role models they see early on. For parents with more than one child, it is also normal for siblings to be quite different when it comes to money skills, even when they got the same lessons while growing up.

The article linked below by **Morgan Housel** does a great job of pointing out many interesting facts around money and spending, and he reveals some truths of money which more people need to understand.

As with anything to do with human nature, we are frequently driven by forces we may not have looked closely at or even some we don't recognize. Money is high on the list of things which affect us at a deep subconscious level, and gaining a better understanding of our money personalities is a very worthwhile exercise.

https://collabfund.com/blog/a-few-thoughts-on-spending-money/