TRINITY

INSURANCE & FINANCIAL SERVICES

Happy Friday and Thanksgiving

Next to Easter, this is my favorite holiday of the year. Even though I try to be in a spirit of thankfulness throughout the year, the Thanksgiving holiday allows me to really focus on what I have been blessed with.

I truly hope that you are able to do the same during this season!

The markets have continued their positive movement during the past two weeks. There were some very encouraging inflation reports released early this week which gave many on Wall Street hope that the Fed could be done with their rate hikes. In fact, there are indications that the markets are beginning to price in a low probability of any more rate hikes, and in fact there have been some who are suggesting that the Fed could cut rates early in 2024.

I have mentioned many times that I foresee a rate cut in Q2 2024 but only if there was another rate hike in 2023. I am hopeful that the Fed will leave rates as they are for the next 4-6 months. This may sound strange to some because I have been very critical about Powell's past rate hikes even when the economic data revealed that inflation was slowing. What I was more critical about were his statements between the Fed regular meetings, because it seemed as though he was ignoring all the data. So, here we are with the Fed Rate around 5.5% and the economy seems to be doing well. Again, I would like to see the Fed take a long pause and allow the capital markets to self-adjust through economics 101 of supply and demand. I have always thought that a healthy Fed rate should be around 4 to 4 ½%. This would allow consumers to earn some interest on their saving accounts and CD's and at the same time to allow the businesses to be profitable. But, for the record, if the Fed is to do anything with the rates, I would hope that it would be a .25% reduction just to kick start the housing market.

We should see pretty calm markets over the next 2-4 weeks unless a voting member on the Fed Committee makes a statement indicating that there will be another rate hike in 2023, then there could be a volatile sell off. So, barring no statements like that are made, we should be able to continue to reposition assets if necessary to take advantage of the strong fixed rates which are available. When a definitive announcement is made in regards to interest rates holding steady because the Fed feels that inflation is under control, I believe that some of the money which was taken out of the market and placed in money market accounts can start to be allocated back to the funds over time.

I always assume that these letters are easy to understand, but if you have any questions or require clarification, please call me!

May you and your family have a blessed Thanksgiving!

Take care,

Brett