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SUMMARY

- Inflation has been trending down over the past year.
- Unemployment is very low.
- The S&P 500 has had a positive trend this year, so far.
- We have much to be thankful for.

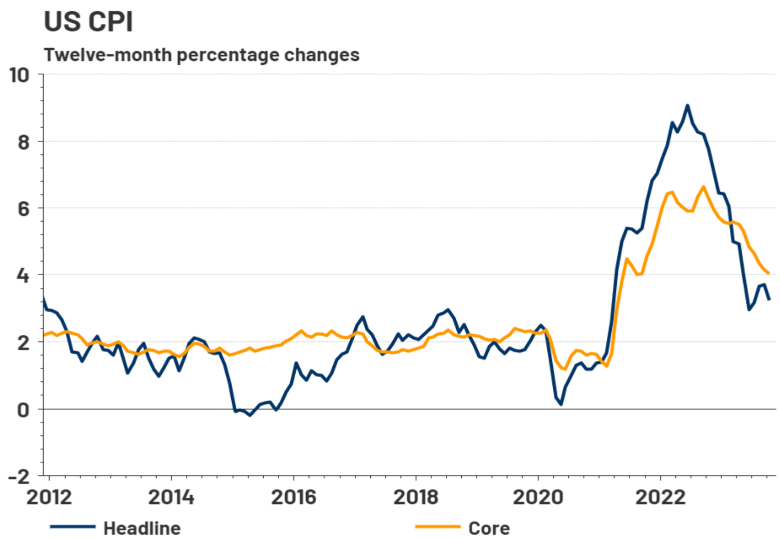
DATE 11.28.2023

A Time to Be Thankful

This Thanksgiving, as we reflect on the economy and markets, there is much to be thankful for:

Inflation is Lower

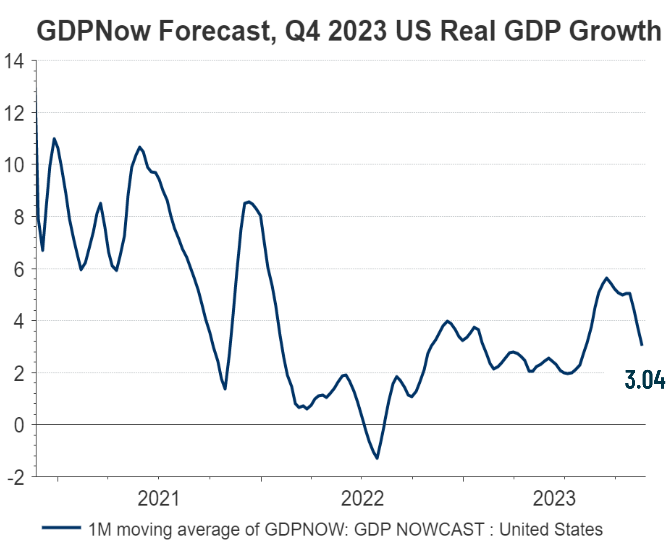
A year ago, the headline inflation rate was 7.1% and just starting to roll over. As of last month, it is 3.2% (see chart below) and continues a downward trajectory. Over the next year, the debate will be whether inflation can continue to fall closer to the Federal Reserve's target of 2% and whether, if it stabilizes between 2% and 3%, the Fed will decide no more rate hikes are warranted. Broadly, we think that is the case.



Source: LSEG Datastream, RiverFront. Data monthly through October 13, 2023. Chart above shown for illustrative purposes.

The Economy is Growing

The Atlanta Fed makes a dynamic forecast of economic growth for the current quarter using incoming data. We have found it to be a remarkably good real-time indicator and especially useful as their series is produced monthly. A year ago, financial markets were concerned about a recession in 2023. The reality has been much better, with the growth rate so far in 2023, higher than in 2022. We think the economy is unlikely to fall into recession for the calendar year 2024, though we think a small decline is possible in the 4th quarter. This is even more remarkable given the magnitude of the rise in interest rates.



Source: LSEG Datastream, RiverFront. Data weekly through November 17, 2023. Chart left shown for illustrative purposes.

Unemployment is Very Low

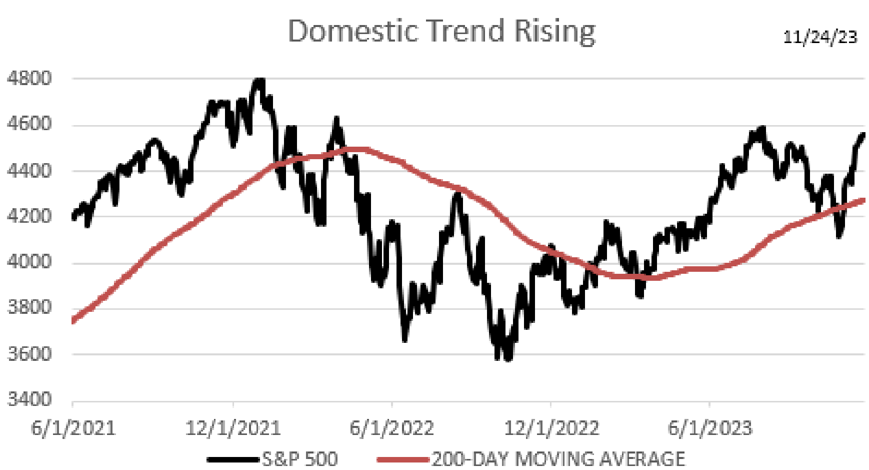
The latest unemployment rate is just 3.9%, only

fractionally higher than a year ago and one of the lowest rates in the last 50 years. The Fed has a dual mandate of inflation and unemployment. Although their focus has been squarely on inflation over the last year, we surmise they must be feeling fortunate that the former is falling without the latter rising. In our view, we do not see a significant rise in 2024.

Source: LSEG Datastream, RiverFront. Data monthly through October 13, 2023. Chart right shown for illustrative purposes.

Stocks Have Turned Up Again

A year ago, the S&P 500 was around 4000 and is now 4500; including dividends, this represents a total return of over 15%. While the index has yet to eclipse its 2022 high, as we wrote last week in our Weekly View, the primary trend (slope of 200 day moving average - red line below) continues to be positive, which we regard as a good omen for 2024.



Source: Bloomberg, RiverFront. Data daily through November 24, 2023. Chart left shown for illustrative purposes. An investment cannot be made directly In an Index.

Savers are Being Rewarded

The rise in interest rates has been dramatic and has resulted in a tough bear market for bonds. From its low, the bear market was made worse because yields fell so low in 2020, with the 10-Year Treasury yield below 1%. Over the last year 10-year yields have been up but returns are positive as the yield has more than compensated for the decline in price. Furthermore, savers are now being rewarded with interest rates high in absolute terms, and now above the rate of inflation.

Source: LSEG Datastream, RiverFront. Data weekly through November 23, 2023. Chart right shown for illustrative purposes. An Investment cannot be made directly in an index.

While we are thankful for these market-related positives, we are especially thankful to the Financial Advisors and clients who trust us to be good stewards of the assets we manage. You are always our number one priority, and we never take that trust for granted. We hope you all enjoyed the Thanksgiving holiday.

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All charts shown for illustrative purposes only. Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.

Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

Index Definitions:
Standard & Poor's (S&P) 500 Index measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.

Definitions:

The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending.

The Federal Reserve Bank of Atlanta is one of 12 Federal Reserve Banks, and represents the sixth district in the U.S. Its territory includes the states of Alabama, Florida, Georgia, as well as portions of Tennessee, and the southern counties of Mississippi and Louisiana. The bank maintains branch offices in Birmingham, Jacksonville, Miami, Nashville, and New Orleans. The bank has developed two widely used economic tools: the GDPNow and the Wage Growth Tracker.

The GDPNow is a running estimate of real gross domestic product (GDP) growth during the current quarter, as opposed to the official GDP numbers which are released by the U.S. Bureau of Economic Analysis (BEA) with a significant delay that can impact policy decisions. As such many market participants closely follow the GDPNow estimates.

The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days.

Treasury bond yields (or rates) are tracked by investors for many reasons. The yields are paid by the U.S. government as interest for borrowing money via selling the bond. The 10-year Treasury yield is closely watched as an indicator of broader investor confidence. Because Treasury bonds (along with bills and notes) carry the full backing of the U.S. government, they are viewed as one of the safest investments

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