

What's New(s)?

We hope this quarterly newsletter finds you well. As we begin the new year, we wanted to take a moment to reflect on the past quarter and share some insights and resources that we hope will be helpful as you plan for the year ahead.

Volatility has made everyone nervous – but it is normal so don't let it derail you. The news can push us emotionally, so guard yourself against the sensational and daily feed.

First, a market update: **2022 turned out to be a difficult year.** Widespread vaccination and less lethal strains of Covid-19 led to lower fatality rates, allowing most pandemic-weary populations around the world to move back towards normal activity. However, supply chain disruptions, the lingering effect of fiscal stimulus and Russia's invasion of Ukraine caused inflation to surge to its highest level in 40 years.

The Federal Reserve ("the Fed"), like other central banks, tightened aggressively, triggering sharp selloffs in both fixed income and equity markets. Mid-term elections resulted in divided government, suggesting little prospect of structural reform to address long-term problems or fiscal support should the economy falter.

But the 2023 narrative is shifting toward how quickly inflation can cool, and furthermore, how much cooling might be sufficient to get the Fed to pause its rate-hiking campaign.

December's CPI came close to expectations, and marked its sixth consecutive decline on a year over-year basis and the first monthly decline since June 2020. The Fed is likely to welcome this progress on inflation by slowing the pace of rate hikes in February.

The inflation surge is ebbing; barring any shock, this cooling inflation environment should lead to a more symmetric approach to monetary policy as the year progresses, which will likely be positive for both stocks and bonds.

As we move into 2023, there are a few things you can do to be financially prepared for the year ahead:

- Review and update your financial plan to ensure that it reflects your current goals and circumstances.
- Review your insurance coverage and make any necessary changes.

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WEALTH MANAGEMENT

