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**Are the Markets Finally Turning?**

Here we are in December with Christmas fast approaching. I hope all your holiday plans are going well and of course plan on spending for those Christmas gifts. It will help keep the economy growing. There is a lot of good news this week and it is not all about what happens on December 25 (i.e. although it should be).

Both the stock and bond markets were up significantly in the month of November. Stocks on average were up around 9% and bonds were up about 5%. Several things supported this rally and I believe it will continue. First, third quarter corporate earnings reporting wrapped up and came in better then expected for both sales and earnings growth. Second, inflation data continued to reflect a downward trend portending a continued pause in Federal Reserve Bank interest rate hikes. Thirdly, several prominent bankers on the Open Market Committee (i.e. the group that decides about interest rate direction) including Jerome Powell have indicated in various speeches that if inflation trends continue, the need for further rate hikes will be over (e.g. paraphrased).

The key to successful investing is being in the markets for the long term. As the economy grows so will the markets that reflect economic performance. My view is that we appear to be in that Goldilocks nirvana where the economy is growing although slowing to a sustainable pace. Unemployment remains low and long-term interest rates are dropping which is good news for mortgages and housing. Consumer sentiment has dropped but is still in positive territory. Finally, the Fed Funds futures market now pegs a better then 50% chance that the first Fed rate cut will occur in March 2024 and a better than 80% chance of a rate cut by May 2024. All of this is good news and portends a reasonable probability of positive market performance over the next twelve months.

My recommendation is to remain confident in the economy and to expect the markets to reflect that reality. Commonwealths’ Chief Investment Officer, Brad MacMillan has prepared a short video giving his take on recent events and what that means for the future. I encourage you to view it at <https://vimeo.com/890407075>.

I am always available to you via phone, zoom conference or in person. I look forward to talking with you over the next few weeks. If you have any questions or if we can be of any help, please do not hesitate to contact Linda or me.

*Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is not indicative of future results.*

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