Florida Financial Advisors

January Newsletter

Florida Financial Advisors
401 S. 12th Street, Unit 2
Tampa, FL 33602
www.floridafa.com

$27.6 trillion

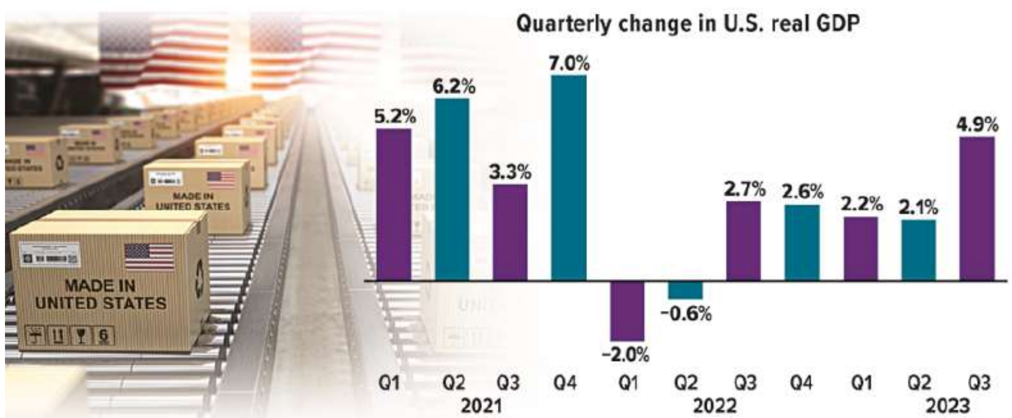
Projected U.S. gross domestic product for 2023 in current dollars, based on advance data for the third quarter. In 2022, current-dollar (nominal) GDP was $25.7 trillion.

Source: U.S. Bureau of Economic Analysis, 2023

Economy Staying Strong

After a worrisome decline in the first half of 2022 — which sparked fears of a recession — U.S. inflation-adjusted gross domestic product (real GDP) has grown steadily. The third quarter of 2023 showed the strongest growth since the post-pandemic bounceback.

Current-dollar (nominal) GDP measures the total market value of goods and services produced in the United States at current prices. By adjusting for inflation, real GDP provides a more accurate comparison over time, making its rate of change a preferred indicator of the nation's economic health.



Source: U.S. Bureau of Economic Analysis, 2023 (seasonally adjusted at annual rates; Q3 2023 based on advance estimate)

Do You Have These Key Estate Planning Documents?

Estate planning is the process of managing and preserving your assets while you are alive, and conserving and controlling their distribution after your death. There are four key estate planning documents almost everyone should have regardless of age, health, or wealth. They are: a durable power of attorney, advance medical directive(s), a will, and a letter of instruction.

Durable power of attorney

Incapacity can happen to anyone at any time, but your risk generally increases as you grow older. Consider what would happen if, for example, you were unable to make decisions or conduct your own affairs. Failing to plan may mean a court would have to appoint a guardian, and the guardian might make decisions that would be different from what you would have wanted.

A durable power of attorney (DPOA) enables you to authorize a family member or other trusted individual to make financial decisions or transact business on your behalf, even if you become incapacitated. The designated individual can do things like pay everyday expenses, collect benefits, watch over your investments, and file taxes.

There are two types of DPOAs: (1) an *immediate* DPOA, which is effective at once (this may be appropriate, for example, if you face a serious operation or illness), and (2) a *springing* DPOA, which is not effective unless you become incapacitated.

Advance medical directive(s)

An advance medical directive lets others know what forms of medical treatment you prefer and enables you to designate someone to make medical decisions for you in the event you can't express your own wishes. If you don't have an advance medical directive, health-care providers could use unwanted treatments and procedures to prolong your life at any cost.

There are three types of advance medical directives. Each state allows only a certain type (or types). You may find that one, two, or all three types are necessary to carry out all of your wishes for medical treatment.

- A living will is a document that specifies the types of medical treatment you would want, or not want, in a particular situation. In most states, a living will takes effect only under certain circumstances, such as a terminal illness or injury. Generally, one can be used solely to decline medical treatment that "serves only to postpone the moment of death."
- A health-care proxy lets one or more family members or other trusted individuals make medical decisions for you. You decide how much power your representative will or won't have.
- A do-not-resuscitate (DNR) order is a legal form, signed by both you and your doctor, that gives health-care professionals permission to carry out your wishes.

Will

A will is quite often the cornerstone of an estate plan. It is a formal, legal document that directs how your property is to be distributed when you die. Your will should generally be written, signed by you, and witnessed. If you don't leave a will, disbursements will be made according to state law, which might not be what you would want.

There are a couple of other important purposes for a will. It allows you to name an executor to carry out your wishes, as specified in the will, and a guardian for your minor children.

Most wills have to be filed with the probate court. The executor collects assets, pays debts and taxes owed, and distributes any remaining property to the rightful heirs. The rules vary from state to state, but in some states smaller estates are exempt from probate or qualify for an expedited process.

Letter of instruction

A letter of instruction is an informal, nonlegal document that generally accompanies a will and is used to express your personal thoughts and directions regarding what is in the will (or about other things, such as your burial wishes or where to locate other documents). This can be the most helpful document you leave for your family members and your executor.

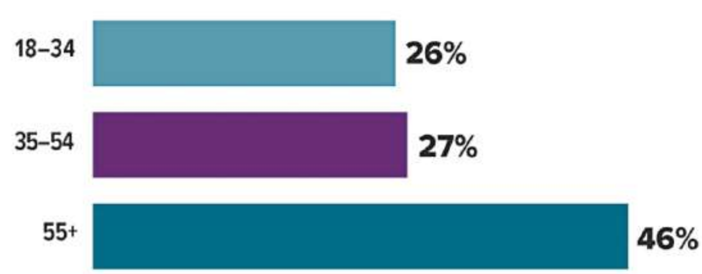
Unlike your will, a letter of instruction remains private. Therefore, it is an opportunity to say the things you would rather not make public.

A letter of instruction is not a substitute for a will. Any directions you include in the letter are only suggestions and are not binding. The people to whom you address the letter may follow or disregard any instructions.

Take steps now

Life is unpredictable. So take steps now, while you can, to have the proper documents in place to ensure that your wishes are carried out.

Percentage of Americans with a will, by age group



Source: Caring.com, 2023

A New Year, A New Opportunity to Save with a 529 Plan

The start of a new year is typically a time when people resolve to implement or recommit themselves to a personal financial goal. This year, why not consider opening a 529 plan account, or increasing your contributions to an existing account, to enhance your child's or grandchild's financial future? 529 plans are the most flexible they've ever been since their creation more than 25 years ago.

A college fund ... and more

Education, in any form, can be a key life building block. A 529 plan is specifically designed for education savings. The main benefit of a 529 plan is tax related: earnings in a 529 account accumulate tax-deferred and are tax-free when withdrawn (which could be many years down the road) if the funds are used to pay qualified education expenses. Some states may also offer a tax deduction for contributions. For withdrawals not used for qualified education expenses, the earnings portion is subject to income tax and a 10% penalty.

In recent years, Congress has expanded the list of expenses that count as "qualified" for 529 plans. Here are some common expenses that qualify:

- **Tuition and fees** – up to the full cost of college/graduate school, vocational/trade school, and apprenticeship programs (schools must be accredited by Department of Education and courses can be online); up to $10,000 per year for K–12
- **Housing and food (room and board)** – for college/graduate school only, provided the student is enrolled at least half time
- **Computers, required software, internet access, books, supplies** – for college/graduate school only
- **Paying student loans** – up to $10,000 lifetime limit

In addition, starting in 2024, families who have extra funds in their 529 account can roll over up to $35,000 to a Roth IRA in the beneficiary's name, subject to annual Roth IRA contribution limits.

Automatic contributions ... and more

Sure, you could build an education fund outside of a 529 plan, but the tax advantages of 529 plans are hard to beat. Plus, 529 plans offer other benefits:

- The ability to set up automatic, recurring contributions from your checking or savings account, which automates your effort and allows you to save during all types of market conditions
- The flexibility to increase, decrease, or temporarily stop your recurring contributions, or to make an unscheduled lump-sum contribution, that reflects the ebbs and flows of your financial situation
- The option to choose a mix of investments based on the age of the beneficiary, where account allocations become more conservative as the time for college gets closer
- A separate account from your regular checking, savings, or brokerage account, which may reduce the temptation to dip into it for a non-education purpose

Building an Education Fund

Monthly savings	5 years	10 years	15 years
$150	$10,201	$23,292	$40,093
$250	$17,002	$38,821	$66,822
$350	$23,802	$54,349	$93,551
$450	$30,603	$69,877	$120,280

Table assumes an annual 5% return. This is a hypothetical example of mathematical principles and is not intended to reflect the actual performance of any investment. Rates of return will vary over time, particularly for long-term investments. Investments with the potential for higher rates of return also carry a greater degree of risk of loss. Fees and expenses are not considered and would reduce the performance shown if they were included.

How to open a 529 account

To open a 529 savings account, select a 529 plan and fill out an application online. You will need to provide personal information, name a beneficiary, choose your investment option(s), and set up automatic contributions or make an initial one-time contribution.

There are generally fees and expenses associated with participation in a 529 plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated. The tax implications of a 529 plan should be discussed with your legal and/or tax professionals because they can vary significantly from state to state. Most states offering their own 529 plans may provide advantages and benefits exclusively for their residents and taxpayers, which may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 plan, consider the investment objectives, risks, charges, and expenses, which are available in the issuer's official statement and should be read carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, can be obtained by contacting your financial professional.

Small Businesses Could Face Borrowing Challenges

According to an October 2023 survey, higher interest rates impacted more than half of small businesses, and over 20% reported that higher rates and tighter lending standards influenced their hiring decisions.[1]

Small businesses paid an average rate of 9.1% for short-term loans in October 2023, the highest rate since 2006, and nearly twice as much as they were paying just two years ago (4.6% in August 2021).[2]

Despite these hurdles, many people who need working capital or want to start, invest in, or expand a business may need to borrow money. Here's a rundown of some common financing options.

Bank loans. National and regional banks cater to the most creditworthy businesses, as they generally require significant collateral and documentation of stable profits. New or fast-growing small businesses (even healthy ones with good prospects) are often rejected. Small banks, however, tend to have higher approval rates than large banks.[3]

SBA programs. In fiscal year 2022, the U.S. Small Business Administration (SBA) provided more than $43 billion in financing, in many cases to guarantee loans issued by participating banks.[4] The program often makes it easier to qualify for financing and may offer more competitive terms and longer repayment periods. However, traditional SBA loans also require "worthwhile" collateral, and it can take several months for qualified borrowers to complete the application process (through a local bank or online).

Other lenders. Online lenders that use digital technology to approve smaller, short-term loans can sometimes make it easier to access cash quickly, but they often charge higher interest rates and fees. Some loans may need to be backed by business assets such as securities, equipment, inventory, and accounts receivable.

HELOCs. Homeowners may have an extra source of funds to tap into for business needs. A home equity line of credit, or HELOC, is a secured loan that may offer more flexible repayment periods and competitive interest rates than many other types of business financing. But there is one major disadvantage to consider: if the business struggles and the owner can't make loan payments, the lender could take the home.

Credit cards. Business accounts tend to charge higher interest rates — which could now be north of 20% — and offer fewer protections than personal credit cards. Using a business credit card responsibly, however, is one way that a new business can establish the positive credit history necessary to obtain bank loans at better rates in the future.

1) *The Wall Street Journal,* November 14, 2023

2) National Federation of Independent Business, October 2023

3) 2022 Small Business Credit Survey, Federal Reserve, 2023

4) U.S. Small Business Administration, 2022

FFA

Florida Financial Advisors

Annual Market Review 2023

Overview

The year 2023 was dominated by inflation and the Federal Reserve's restrictive policy in response to it. The year began with inflation at about 6.5%, with the Fed raising interest rates despite fears of rising unemployment and an economic recession. But while the focus remained on inflation, several other events occurred during the year, including the a political battle over the debt ceiling and a potential government shutdown; the collapse of several banks; labor strikes; and unrest in the Middle East.

In March 2022, the Federal Reserve began to aggressively raise interest rates as part of a restrictive policy aimed at reining in escalating inflation. In 2023, there were signs that the Fed's monetary policy was paying off. Price growth slowed, apparently without triggering a recession.

The personal consumption expenditures price index was 5.4% in January, while core prices, excluding food and energy, were 4.7%. Other than a moderate surge during the summer, the PCE price index trended lower, with the last reading at 2.6% (core prices were 3.2%) for the 12 months ended in November.

While inflation has turned lower, it remained above the Fed's 2.0% target. However, the progress in moderating price pressures allowed the Fed to refrain from further interest rate hikes since July. In addition, recent Fed projections indicate rate cuts of 75.0 basis points in 2024, possibly in the form of three 25.0-basis point rate reductions, although changes in the economy or inflation could prompt the Fed to alter its course of action moving forward.

Raising interest rates may have helped drive down inflation, but it also had the unfortunate effect of cooling the housing market. Rising interest rates also carried over to mortgage rates, which vaulted higher, peaking at about 8.0% in October, more than double the mortgage rate during the pandemic and well above pre-pandemic levels. Higher mortgage rates translated to fewer buyers. However, home prices climbed higher year over year, primarily due to diminishing inventory. Fortunately, mortgage rates have fallen by more than a full point over the last few months of the year, settling at about 6.61% at the end of December.

In a span of a few weeks in March, three small-to-mid size U.S. banks failed, which prompted investors to lose confidence in the banking industry and sent bank stocks plummeting amid fears that more bank failures could follow. Losses on cryptocurrency investments, falling real estate investments, downturns in bond portfolios, and a run on bank deposits triggered the banking collapse. A potential escalation was likely averted by the Federal Reserve, which provided emergency loans to distressed banks, while ensuring that all deposits would be honored.

As if interest rate hikes and bank failures weren't enough to digest, investors spent the first half of the year dissecting rhetoric over the debt ceiling crisis. In mid-January, the United States hit its debt ceiling, which prompted a political back-and-forth until the beginning of June, when an agreement was reached. The result was new legislation, the Fiscal Responsibility Act of 2023, which effectively raised the debt ceiling but capped federal government spending.

The U.S. economy proved to be resilient in 2023. Gross domestic product expanded during each of the first three quarters of the year, increasing 2.2% in the first quarter, 2.1% in the second quarter, and 4.9% in the third quarter. Consumer spending, the linchpin of the economy, also showed strength, climbing 3.1% in the third quarter. Consumers spent on both goods and services throughout the year.

The employment sector, expected by some to slow with rising interest rates, maintained strength

Key Dates/Data Releases

1/2: S&P Manufacturing Index

1/3: JOLTS

1/4: S&P Services Index

1/5: Employment situation

1/9: International trade in goods and services

1/11: Consumer Price Index, Treasury budget

1/12: Producer Price Index

1/17: Retail sales, industrial production, import and export prices

1/18: Housing starts

1/19: Existing home sales

1/25: New home sales, durable goods orders, GDP, international trade in goods

1/26: Personal income and outlays

1/31: FOMC meeting statement

throughout the year. While the number of new jobs trended lower during the second half of the year, job growth averaged 240,000 through November. There were 6.3 million unemployed in November 2023, compared to 6.0 million a year earlier. The unemployment rate was 3.7% and remained within a range of 3.5%-3.8% for most of the year. Average hourly earnings increased by 4.0% in 2023. The number of job openings decreased during the year but remained solid at 8.7 million.

One of the primary factors in the drop in overall inflation was a decline in energy prices. According to the Consumer Price Index, energy prices fell 5.4% over the 12 months ended in November (latest CPI data available). Gasoline prices dropped 8.9% over the same period. Food prices, on the other hand, rose 2.9%, while prices for shelter increased 6.5%.

Total industrial production declined 0.4% through November (latest data available). Manufacturing, which accounts for about 78.0% of total production, decreased 0.8%. A lengthy strike by U.S. auto workers impacted motor vehicle production in particular, and overall manufacturing in general. However, in addition to the impact of striking workers, manufacturers faced higher borrowing costs and weaker demand for goods.

As 2023 drew to a close, there were some positives to consider upon entering the new year. The GDP expanded at a greater-than-expected pace in the third quarter, and crude oil and gas prices reversed course and dipped lower. Primary inflationary indicators, such as the Consumer Price Index and the personal consumption expenditures price index, trended lower at the end of the year. If interest rates decrease, borrowing will be available to more consumers, which should help the housing sector. Stocks enjoyed a solid bounce back in 2023. If corporate earnings continue to rebound, that would bode well for stocks in 2024. There are factors that will come into play next year, but how they impact the economy and markets is open to speculation. How much longer will the Russia/Ukraine war last, and how much more financial aid will be coming from the United States? The Hamas/Israel conflict could expand to include other countries, impacting other lives and economies. And, of course, 2024 brings with it a presidential election.

Market/Index	2022 Close	As of 9/29	2023 Close	Month Change	Q4 Change	2023 Change
DJIA	33,147.25	33,507.50	37,689.54	4.84%	12.48%	13.70%
Nasdaq	10,466.48	13,219.32	15,011.35	5.52%	13.56%	43.42%
S&P 500	3,839.50	4,288.05	4,769.83	4.42%	11.24%	24.23%
Russell 2000	1,761.25	1,785.10	2,027.07	12.05%	13.55%	15.09%
Global Dow	3,702.71	3,982.95	4,355.28	4.66%	9.35%	17.62%
fed. funds target rate	4.25%-4.50%	5.25%-5.50%	5.25%-5.50%	0 bps	0 bps	100 bps
10-year Treasuries	3.87%	4.57%	3.86%	-49 bps	-71 bps	-1 bps
US Dollar-DXY	103.48	106.19	101.39	-2.04%	-4.52%	-2.02%
Crude Oil-CL=F	$80.41	$90.87	$71.30	-5.78%	-21.54%	-11.33%
Gold-GC=F	$1,829.70	$1,864.90	$2,072.50	0.80%	11.13%	13.27%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Snapshot 2023

The Markets

- **Equities:** Stocks began 2023 on a positive note and ended the year trending higher. However, the ride for investors throughout the year was not always a smooth one. Traders tried to assess the impact of inflation, rising interest rates, an unexpected banking crisis, and rising global tensions. Nevertheless, the economy proved resilient, corporate profits rose, and the once anticipated economic recession never materialized. Technology stocks rebounded in 2023, with megacaps and artificial intelligence shares leading the charge. Each of the benchmark indexes listed here closed 2023 much higher compared to 2022. The Nasdaq ended the year up more than 40.0%, while the large caps of the S&P 500 gained nearly 25.0%. The Global Dow advanced about 17.0%. The small caps of the Russell 2000, under water in August, surged during the second half of the year to finish up by more than 15.0%. While the road traveled by the Dow was bumpy, that benchmark index managed to close the year up by nearly 13.0%.
- In 2023, investors looked to high growth and cyclical shares, while defensive sectors lagged.

Communication services and information technology gained over 55.0%. Also trending notably higher in 2023 were consumer discretionary and industrials. On the other hand, utilities, consumer staples, energy, and health care closed lower.

- **Bonds:** For much of 2023, bond prices declined, sending yields higher. The yield on 10-year Treasuries reached a high in October at about 4.9% but steadily fell throughout the remainder of the year, ultimately settling right about where they began the year. Softening inflation data, cooling labor growth, and the expectation that interest rates will drop, helped drive bond values higher. Two-year Treasury yields also decreased from a high of 5.2% in October to 4.4% by year's end. The Bloomberg Aggregate Bond Index, which realized the worst return in its history after declining nearly 13.0% in 2022, rose a little over 5.0% in 2023.
- **Oil:** West Texas Intermediate (WTI) crude oil prices began the year at about $80.00 per barrel then rode a wave of volatility throughout 2023, peaking at about $93.68 in late September. Since that time, crude oil prices have steadily declined despite production cuts by OPEC+ and the Israel/Hamas conflict. Decreasing demand and booming oil production by the United States and other oil-producing countries have driven prices lower. Meanwhile, the turmoil in the Middle East did not impact production and delivery as might have been expected, although prices began to trend higher at the end of December following shipping disruptions in the Red Sea due to Houthi rebel attacks. Nevertheless, crude oil prices declined for the year, marking the first annual loss since 2020.
- Prices at the pump were somewhat unpredictable throughout the year, largely responding to changes in global economics, supply and demand, and other extraordinary factors largely attributable to the unrest in the Middle East. The average retail price for a gallon of regular gasoline was $3.223 at the beginning of the year. By mid-July, the price had risen to $3.559 per gallon, capping at $3.878 per gallon in mid-September, then steadily declining for the remainder of the year to an average price of $3.116 on Christmas day.
- **FOMC/interest rates:** The target range for the federal funds rate began the year at 4.25%-4.50% following four interest rate increases by the Federal Open Market Committee in 2022. In 2023, the FOMC announced four consecutive 25.0-basis point interest rate increases from February through July, bringing the federal funds target rate range to 5.25%-5.50%. The Committee met again in September, October, and December, however, interest rates were unchanged following each of those meetings. After its final meeting of 2023 in December, the FOMC statement indicated that the economy had slowed from its strong pace in the third quarter and that inflation, while it had eased over the past year, remained elevated. While the Committee left the door open to more rate increases if necessary to return inflation to its 2.0% target, it appeared that the current tightening cycle had peaked, and no rate hikes were foreseen. In addition, FOMC projections for 2024 would be consistent with three 25.0-basis point rate cuts, but that is speculative and could change.
- **US Dollar-DXY:** For much of the year, the dollar rode the ebbs and flows of rising and receding inflation, both domestically and globally. After peaking in September, the dollar's value against a basket of currencies retreated. Decreasing inflation and falling bond yields, particularly during the last two months of the year, weakened the dollar. In December, speculation grew that the Federal Reserve may begin cutting interest rates, possibly beginning in March 2024. This news further weakened the dollar, bringing its value to a five-month low by the end of the year. Overall, the dollar is set to have its worst year since 2020. In contrast, other currencies, such as the euro, have increased against the dollar. The value of the dollar is likely to further weaken in 2024, particularly if interest rates and bond yields decrease further.
- **Gold:** Gold prices began the year at about $1,830.00 per ounce and hit a record high of $2,152.30 near the end of 2023. However, while gold prices proved less volatile in 2023, compared to 2022, there was still plenty of fluctuation in prices throughout the year. While gold prices began the year on an upswing, that quickly changed. The price of gold retreated as the economy, the dollar, and Treasury yields all saw gains, driving gold prices to a low of $1,809.87 in late February. However, the financial uncertainty caused by the bank crisis in March and April helped drive up the price of gold to over $2,000.00 per ounce. Beginning in September, particularly after the Federal Reserve announced that it would hold interest rates steady, interest in gold waned. As prices headed to below $1,800.00 per ounce, the attacks by Hamas in early October started a war with Israel, sending gold prices past the $2,000.00 per ounce mark at the end of the year.

Last Month's Economic News

- **Employment:** Job growth was stronger than expected in November, with the addition of 199,000 new jobs after adding 150,000 new jobs in October. Monthly job growth has averaged 240,000 over the prior 12 months, compared with 375,000 per month in 2022. In November, the unemployment rate declined 0.2 percentage point to 3.7% and has remained in the range of 3.5%-3.7% since March. The number of unemployed persons edged down 215,000 from October to 6.3 million. In November, the number of long-term unemployed (those jobless for 27 weeks or more) edged down to 1.2 million. These individuals accounted for 18.3% of all unemployed persons. The labor force participation rate inched up 0.1 percentage point to 62.8% in November (62.3% at the end of 2022). The employment-population ratio increased 0.3 percentage point to 60.5% in November (59.9% in November 2022). In November, average hourly earnings increased by $0.12 to $34.10. Over the past 12 months ended in November, average hourly earnings rose by 4.0% (average hourly earnings were $32.82, up 4.6% in 2022). The average workweek decreased by 0.1 hour to 34.4 hours in November, the same as in November 2022.

- There were 218,000 initial claims for unemployment insurance for the week ended December 23, 2022. During the same period, the total number of workers receiving unemployment insurance was 1,875,000. Over the course of the year, initial weekly claims gradually moved. A year ago, there were 213,000 initial claims, while the total number of workers receiving unemployment insurance was 1,627,000.
- **FOMC/interest rates:** As expected, the Federal Open Market Committee maintained the target range for the federal funds rate at the current 5.25%-5.50% following its meeting in December. In arriving at its decision, the Committee noted that the economy had slowed and that inflation, while it had eased, remained elevated. As to future policy actions, the FOMC provided that "In determining the extent of any additional policy firming that may be appropriate to return inflation to 2.0% over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments." In addition, the Committee's projections for the federal funds rate indicate the possibility of three 25.0-basis point rate decreases in 2024.
- **GDP/budget:** The economy, as measured by gross domestic product, accelerated at an annual rate of 4.9% in the third quarter, following increases of 2.2% in the first quarter and 2.1% in the second quarter. A year ago, GDP expanded at an annualized rate of 2.7% in the third quarter. Consumer spending, as measured by the personal consumption expenditures index, rose 3.1% in the third quarter, higher than in the second quarter (0.8%) but less than the first quarter (3.8%). Spending on services rose 2.2% in the third quarter compared with a 1.0% increase in the second quarter. Consumer spending on goods increased 4.9% in the third quarter (0.5% in the second quarter). Fixed investment advanced 2.6% in the third quarter (5.2% in the second quarter). Nonresidential (business) fixed investment rose 1.4% in the third quarter after jumping 7.4% in the previous quarter. Residential fixed investment jumped 6.7% in the third quarter, following a 2.2% decrease in the second quarter. Exports rose 5.4% in the third quarter, compared with a 9.3% decrease in the previous quarter. Imports, which are a negative in the calculation of GDP, increased 4.2% in the third quarter, after declining 7.6% in the second quarter. Consumer prices increased 2.6% in the third quarter (2.5% in the second quarter). Excluding food and energy, consumer prices advanced 2.0% in the third quarter (3.7% in the second quarter).
- November saw the federal budget deficit come in at $314.0 billion, up roughly $65.5 billion over the November 2022 deficit. The deficit for the first two months of fiscal year 2024, at $380.6 billion, is $44.2 billion higher than the first two months of the previous fiscal year. For fiscal year 2023, which ended September 2023, the government deficit was $1.7 trillion, which was $3.0 billion above the government deficit for fiscal year 2022. Last fiscal year, government outlays declined $200.0 billion, while government receipts decreased $500.0 billion. Individual income tax receipts decreased by $4.0 billion, and corporate income tax receipts declined by $5.0 billion.
- **Inflation/consumer spending:** According to the latest Personal Income and Outlays report, personal income and disposable personal income rose 0.4% in November after increasing 0.3% in October. Consumer spending advanced 0.2% in November after increasing 0.1% the previous month. Consumer prices inched down 0.1% in November after being unchanged in October. Excluding food and energy (core prices), prices rose 0.1% in November, the same monthly increase as in October. Consumer prices rose 2.6% since November 2022, while core prices increased 3.2%.
- The Consumer Price Index for November supported the notion that inflationary pressures are trending lower. The CPI rose 0.1% after being unchanged in October. Over the 12 months ended in November, the CPI rose 3.1%, down from 3.2% in October. Excluding food and energy prices, the CPI rose 0.3% in November and 4.0% for the year ended in November, unchanged from the 12-month period ended in October. Energy prices fell 2.3% in November, while food prices rose 0.2% and prices for shelter rose 0.4%. For the 12 months ended in November, energy prices decreased 5.4%, while food prices rose 2.9% and shelter prices advanced 6.5%. Gasoline prices dropped 8.9% over the last 12 months, while fuel oil prices fell 24.8%.
- In another sign of waning inflation, prices that producers received for goods and services were unchanged in November following a 0.4% decline in October. Producer prices increased 0.9% for the 12 months ended in November, down from a 1.3% increase for the year ended in October. Producer prices less foods, energy, and trade services inched up 0.1% in November, while prices excluding food and energy were flat. For the 12 months ended in November, prices less foods, energy, and trade services moved up 2.5% (2.9% for the 12 months ended in October), while prices less foods and energy increased 2.0% (2.4% for the period ended in October). In November, prices for food rose 0.6% but fell

4.9% year over year, the largest drop since December 2015. Energy prices were down 2.1% in November and 8.4% since November 2022.

- **Housing:** Sales of existing homes increased 0.8% in November, marking the first monthly increase in the last six months. Existing home sales dropped 7.3% from November 2022. The median existing-home price was $387,600 in November, lower than the October price of $391,600 but 4.0% higher than the November 2022 price of $372,700. Unsold inventory of existing homes represented a 3.5-month supply at the current sales pace, down slightly from October (3.6 months) but above the 3.3-month supply in November 2022. Sales of existing single-family homes increased 0.9% in November, the first monthly increase since February. Over the 12 months ended in November, sales of existing single-family homes were down 7.3%. The median existing single-family home price was $392,100 in November, down from $396,000 in October but 3.5% above the November 2022 price of $378,700.
- New single-family home sales declined in November, falling 12.2% after dropping 4.2% in October. However, sales were up 1.4% from November 2022. The median sales price of new single-family houses sold in November was $434,700 ($414,900 in October). The November average sales price was $488,900 ($498,500 in October). The inventory of new single-family homes for sale in November represented a supply of 9.2 months at the current sales pace, the largest supply of new single-family homes for sale nationwide this year.
- **Manufacturing:** Industrial production increased 0.2% in November, following a 0.9% decrease in October. Manufacturing advanced 0.3% in November, driven higher by a 7.1% jump in motor vehicles and parts production following the resolution of strikes at several major automakers. Manufacturing excluding motor vehicles and parts decreased 0.2%. Mining rose 0.3%, while utilities fell 0.4%. Over the past 12 months ended in November, total industrial production was 0.4% below its year-earlier reading. For the 12 months ended in November, manufacturing increased 1.3%, utilities advanced 3.5%, while mining declined 0.4%.
- November saw new orders for durable goods increase 5.4%, marking the second monthly advance out of the last three months. Durable goods orders declined 5.1% in October. New orders for durable goods rose 14.5% since November 2022. Excluding transportation, new orders increased 0.5% in November. Excluding defense, new orders increased 6.5%. Transportation equipment, up two of the last three months, led the November increase, advancing 15.3%.
- **Imports and exports:** Both import and export prices declined in November. Import prices fell 0.4% in November after decreasing 0.6% in October, the first one-month declines since June 2023. Import prices fell 1.4% over the past year. Prices for import fuel declined 5.6% in November following a 3.7% drop in October. The November decrease in fuel prices was the largest monthly decline since February 2023. Import fuel prices fell 10.3% since November 2022. Prices for nonfuel imports rose 0.2% in November, marking the first monthly increase since February. Despite the November increase, nonfuel imports fell 0.4% since November 2022. Export prices declined 0.9% in November after falling 0.9% in October. Prices for exports decreased 5.2% from November 2022.
- The international trade in goods deficit was $90.3 billion in November, up $0.7 billion, or 0.8%, from October. Exports of goods were $165.1 billion in November, $6.2 billion less than in October. Imports of goods were $255.4 billion in November, $5.5 billion less than in October. The November drop in exports was widespread, with industrial supplies (-6.6%) and automotive vehicles (-5.6%) falling the furthest. Each category of imports decreased with the exception of foods, feeds, and beverages (0.8%). Imports of consumer goods fell the furthest, decreasing 6.5%.
- The latest information on international trade in goods and services, released December 6, is for October and revealed that the goods and services trade deficit was $64.3 billion, an increase of $3.1 billion from the September deficit. October exports were $258.8 billion, 1.0% less than September exports. October imports were $323.0 billion, 0.2% more than September imports. Year to date, the goods and services deficit decreased $161.4 billion, or 19.8%, from the same period in 2022. Exports increased $28.0 billion, or 1.1%. Imports decreased $133.4 billion, or 4.0%.
- **International markets:** Inflation fell in most major countries during the last quarter of the year. Declining prices for food, energy, and goods, coupled with tightened monetary policies, helped draw down inflation. Several countries saw consumer prices, as measured by the Consumer Price Index, trend lower in November, including Canada (3.1%), Germany (3.2%), the Eurozone (2.4%), United Kingdom (3.9%), and Japan (2.9%). For 2023, the STOXX Europe 600 Index rose 12.7%; the United Kingdom's FTSE advanced 3.8%; Japan's Nikkei 225 Index gained 28.2%; and China's Shanghai Composite Index lost 3.7%.
- **Consumer confidence:** Consumers ended 2023 with a surge in confidence and restored optimism for 2024. The Conference Board Consumer Confidence Index® increased in December to 110.7, following a 101.0 reading in November. The Present Situation Index, based on consumers' assessment of current

business and labor market conditions, rose to 148.5 in December, up from 136.5 in the previous month. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, improved to 85.6 in December from 77.4 in November.

Eye on the Year Ahead

Will waning inflation and slowing job growth prompt the Federal Reserve to lower interest rates in 2024? And if interest rates are decreased, what impact will that have on the bond and stock market? Crude oil prices and retail gas prices declined in 2023. However, the ongoing conflict in the Middle East, coupled with a cut in production, could force prices for both commodities higher this year. Lastly, 2024 is an election year, the results of which will almost certainly impact the economy in general and Wall Street in particular.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.
