



ASC Financial Group

"A Retirement Built to Last"

July Brings Mostly Good News for the Markets, Economy & Investors

After pausing in June, the Federal Reserve resumed its tightening efforts in July with another quarter- percent increase to short-term interest rates. The hike was expected so the financial markets took it in stride, and overall July was a good month for the markets, the economy, and investors across the board. Will August bring big changes?

Anything is possible, of course, but investors would seem to have many reasons for continued optimism. For one thing, the Fed's latest rate increase means they are getting very close to the end of this tightening cycle, which began in March of 2022 and has been the most aggressive in history. In less than a year and a half, the Fed has raised its benchmark short-term interest rate from near zero to 5.25%.¹ Throughout last year and much of this year, this rapid rate-hiking pace has caused major bouts of volatility and created strong headwinds for investors. It's also inverted the yield curve to an extent that has created big challenges for regional banks. Remember, banks need an upward-sloping yield curve (where long-term interest rates are higher than short-term rates) to make lending money worth their while.

The Fed's goal in raising rates was to combat inflation, which had reached historically high levels in early 2022. The good news is that inflation is now back down to an annualized rate of around 3%, just 1% higher than the Fed's goal. That *could* mean the Fed will stay hawkish and implement one more quarter-percent increase at their next meeting, or they may decide to forego another rate hike altogether. Either way, the end is near, and when it arrives it will mean not only an end to constant interest rate headwinds, but the possible arrival of some overdue tailwinds.

Is a 'Soft Landing' Possible?

In addition to those potential shifting winds, the Fed's final rate hike (whether it's already occurred or is still to come), could mean they've managed to pull off that rarest of achievements: a "soft landing." That's the term economists use to describe any rate-hiking effort by the Fed that achieves the goal of bringing down inflation without tipping the economy into recession. This isn't to say that might not still happen, but the possibility of a recession looks much less likely today than it did a year ago when the Fed was just getting started and inflation was still sky-high.

3355 Route 611
Suite 5
Bartonsville, Pa 18321
570-213-4533

www.ASCFinancialGroup.com

4949 Liberty Lane
Suite 310
Allentown, Pa 18106
610-433-5300



ASC Financial Group

"A Retirement Built to Last"

In addition to inflation now being close to the Fed's target rate, the economy is still growing at a fairly healthy pace. The GDP rose by an annualized rate of 2.4% in the second quarter, after posting 2% growth in the first quarter.² In addition, unemployment is still low at about 3.6%, the stock market is up by an average of about 18% year-to-date, and even the yield curve has become a bit less inverted since long-term interest rates rose slightly in July.³

That increase was due in part to the fact that US treasuries were downgraded by the rating agency Fitch based on our ridiculous levels of government debt.⁴ As you may recall, this same thing happened about 10 years ago and for the same reason. That's not good, of course, but we agree with Warren Buffett that — in the bigger picture — it's no real cause for alarm. In fact, it may be a positive development if it serves as a wake-up call to Congress to get their act together and start dealing with our debt problem rather than making it worse!

The bottom line is that, although there are some shifts occurring in terms of where money is being spent, right now the economy is nowhere close to recession territory. Again, none of this means that a recession still isn't possible, and many analysts who remain convinced a downturn is coming don't see it happening until early next year anyway. As you know, we have argued from the start that a recession is more likely than not, based on the Fed's historical track record in these situations. We're not ready to change that opinion just yet, but we do admit the possibility of a rare "soft landing" does seem more likely now than it did even a few months ago. We also stand by our argument that, even if a recession does occur, it's not likely to be very long or severe since the Fed now has plenty of ammunition to combat it by reversing course and lowering rates again.

¹ <https://www.bbc.com/news/business-65474456>

² "Q2 2023 GDP Rises on Stronger Business Investment," *The Conference Board*, July 27, 2023

³ *YCharts.com*

⁴ "Fitch Downgrades US Long Term Ratings to AA+," *fitchratings.com*, Aug. 1, 2023

⁵ "US Equity Market Attributes July 2023," *spglobal.com*, Aug. 2, 2023

3355 Route 611
Suite 5
Bartonsville, Pa 18321
570-213-4533

www.ASCFinancialGroup.com

4949 Liberty Lane
Suite 310
Allentown, Pa 18106
610-433-5300



ASC Financial Group

"A Retirement Built to Last"

August 2023 Recipe: Bacon Wrapped Pineapple Shrimp



Ingredients:

12 jumbo shrimp, deveined

1/4 fresh pineapple cut into bite-sized chunks or one 14-ounce can of pineapple chunks in natural juice, drained

6 slices center-cut bacon, cut in 1/2 crosswise

Directions:

Heat a nonstick skillet over medium-high heat. Holding a shrimp, nest a chunk of pineapple in the natural curve of the shrimp then wrap bacon around the shrimp and pineapple and secure with a wooden toothpick. Wrap and secure all 12 shrimp then add to the hot pan and cook for 3 minutes on each side or until bacon is crisp and shrimp are opaque and firm.

The "Bacon Wrapped Pineapple Shrimp" recipe is shown here:

<https://www.foodnetwork.com/recipes/rachael-ray/bacon-wrapped-pineapple-shrimp-recipe-2014409>

Investment advisory services offered through Brookstone Capital Management, LLC (BCM), a registered investment advisor. BCM and ASC Financial Group are independent of each other. Insurance products and services are not offered through BCM but are offered and sold through individually licensed and appointed agents.

The information and opinions contained herein are provided by third parties and have been obtained from sources believed to be reliable, however, we make no representation as to its completeness or accuracy. The information is not intended to be used as the sole basis for financial decisions, nor should it be construed as advice designed to meet the particular needs of an individual's situation. Content is provided for informational purposes only and is not a solicitation to buy or sell any products mentioned.

3355 Route 611
Suite 5
Bartonsville, Pa 18321
570-213-4533

www.ASCFinancialGroup.com

4949 Liberty Lane
Suite 310
Allentown, Pa 18106
610-433-5300