

*From the desk of GS Wealth Management*

# MONTHLY ECONOMIC UPDATE

January 2023

## MONTHLY QUOTE

*“If you really look closely, most overnight successes took a long time.”*

- Steve Jobs

## MONTHLY TIP

*Exercise is not only wise, it may also prove economical. In the long run, just keeping fit may save you thousands of dollars (or more) in medical bills that an unhealthy person may incur.*

## THE MONTH IN BRIEF

### ***U.S. Markets***

Stocks were under pressure in December on renewed recession fears and concerns that the Fed may keep rates higher than markets anticipated.

The Dow Jones Industrial Average lost 4.17 percent for the month, while the Standard & Poor’s 500 Index fell 5.90 percent. The tech-heavy Nasdaq composite dropped 8.73 percent.<sup>1</sup>

### ***A Challenging December***

After two solid months of gains, investor sentiment took a u-turn in December. Stocks opened the month lower on new data pointing to economic strength and the loosening of Covid restrictions in China. At one time, both may have earned positive views. They may now become reasons for the Fed to raise rates into 2023.

### ***Hawkish Fed***

Stocks found temporary support from a lower-than-expected inflation report. Still, markets resumed their slide when a hawkish-sounding Fed Chair suggested rates may trend higher for longer than markets anticipated.

Stocks bounced around in quiet pre-holiday trading as investors navigated the crosscurrents of economic reports.

### ***Inflation Yields to Recession Talk***

Somewhat overlooked amid the recession talk was some encouraging news on the inflation front. The November Consumer Price Index (CPI) came below consensus expectations at a 0.1 percent increase and a 7.1 percent rise year-over-year. It was the fifth straight month of declining price increases.<sup>2</sup>

Later in the month, the Personal Consumption Expenditures (PCE) price index, the preferred inflation measure of the Fed, also saw moderating inflation, rising just 0.1 percent in November and 5.5 percent from a year earlier.<sup>3</sup>

Stocks closed the month lower with a quiet holiday week, capping a discouraging year for investors.

### ***Sector Scorecard***

All 11 market sectors were down in December. Communications Services (-6.83 percent), Consumer Discretionary (-11.64 percent), Consumer Staples (-3.42 percent), Energy (-4.04 percent), Financials (-5.81 percent), Industrials (-3.45 percent), Materials (-6.13 percent), Real Estate (-5.89 percent), Technology (-8.47 percent), Health Care (-2.28 percent) and Utilities (-1.30 percent) all were lower for the month.<sup>4</sup>

### ***What Investors May Be Talking About in January***

Expect the market spotlight to fall on three key dates in the month ahead.

The first will come on January 12th with the December Consumer Price Index report. A continued slowdown in inflation may lift some pressure on the Fed to raise interest rates.<sup>5</sup>

The second will be on January 26th, with the initial reading of the fourth-quarter Gross Domestic Product. A healthy number may relieve those worried about an imminent recession, or it may become a reason for the Fed to maintain its hawkish rate hike path.<sup>5</sup>

Finally, the Federal Open Market Committee will open its two-day meeting on January 31st. The forward-looking markets tend to focus on what Fed Chair Powell says about the economy's direction in the post-meeting press conference.<sup>5</sup>

## **IRA Deadlines Are Approaching**

*Here is what you need to know.*

Financially, many of us associate the spring with taxes – but we should also associate December with important Individual Retirement Account (IRA) deadlines. This year, like 2022, will see a few changes and distinctions.

Remember, this article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals for the most up-to-date information about IRA account deadlines and contribution strategies.

December 31, 2023, is the deadline to take your Required Minimum Distribution (RMD) from certain IRAs.

April 18, 2023, is the deadline for making 2022 annual contributions to a traditional IRA, Roth IRA, and certain other retirement accounts. April 15 falls on a Saturday, so the deadline has been extended.<sup>6</sup>

Some people may not realize when they can make their IRA contribution. You can make a yearly IRA contribution between January 1 of the current year and April 15 of the next year. Accordingly, you can make your IRA contribution for 2023 any time from January 1, 2023, to April 15, 2024.<sup>6</sup>

A person can open or contribute to a Traditional IRA past age 72 as long as they have taxable income.

If you are making a 2023 IRA contribution in early 2024, you must tell the investment company hosting the IRA account for which year you are contributing. If you fail to indicate the tax year that the contribution applies to, the custodian firm may make a default assumption that the contribution is for the current year (and note exactly that to the I.R.S.).

So, write “2024 IRA contribution” or “2023 IRA contribution,” as applicable, in the memo area of your check, plainly and simply. Be sure to write your account number on the check. If you make your contribution electronically, double-check that these details are communicated.

### ***The Fed***

The Federal Reserve announced a 0.75 percent rate hike in federal funds at the conclusion of its two-day November meeting of the Federal Open Market Committee (FOMC). In the statement accompanying the announcement, the FOMC said that future rate increases would take into account the cumulative monetary tightening to date and the lag in the impacts resulting from such tightening.

In his post-meeting press conference, Fed Chair Powell added that it was too soon to consider any slowdown in the pace of rate hikes and that the terminal rate may be higher than originally expected.<sup>6</sup>

In the November meeting minutes released just before Thanksgiving, Fed officials indicated that they were likely to slow the pace of rate hikes soon, suggesting that such slowing may begin with December’s meeting.<sup>7</sup>

<b>MARKET INDEX</b>	<b>Y-T-D CHANGE</b>	<b>December 2022</b>
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DJIA	-8.78%	-4.17%
NASDAQ	-33.10%	-8.73%
S&P 500	-19.44%	-5.90%

<b>BOND YIELD</b>	<b>Y-T-D</b>	<b>December 2022</b>
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10 YR TREASURY	2.37%	3.88%
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Sources: Yahoo Finance, December 31, 2022.

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S.

Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.

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