

Most investment portfolios did well in July.

While interest rates have crept up a bit lately, the strength of the US stock market more than compensated for a lackluster performance from the fixed income portion of investment portfolios.

There seems to be more and more talk about the central banks being able to engineer a 'soft landing' for the economy. To be more specific, the near-vertical increase in interest rates we have experienced might be successful in reducing the pace of inflation to pre-pandemic levels without necessarily pushing the economy into a major recession. This would be the so-called 'Goldilocks' scenario that the bulls/optimists believe might happen. Yesterday, for instance, on Jim Cramer's Mad Money (CNBC), Jim said '*I can go into so many...positives for stocks. I just think the overarching issue here is that we're getting exactly what Wall Street always wanted: growth with declining inflation...*'

Supporting the bull/optimistic case is the fact that there was no excessive panic as we experienced a few hiccups so far in 2023 that could have easily turned into something much worse, e.g. the failure of a few banks, the nerve-racking U.S. debt ceiling negotiations, and a very recent U.S. government debt rating downgrade.

So far this year, and unlike 2022, it looks like the bears/pessimists have been fighting a losing battle. All the elements that made them right in 2022 seem to be dissipating in 2023. For instance, even as we witness stagnant or declining corporate profits, the decline is nowhere near what the pessimists had been predicting. The increase in rates was also supposed to push us into a severe recession- according to the most negative of bears/pessimists. But it seems to me that the high level of savings that had been accumulated during the pandemic, accompanied by pent-up demand for services (e.g. travel, dining, etc...) and a low unemployment rate have meant that the consumer keeps spending. I would add that the level of pessimism among the so-called 'professional' investors seems to have been declining and there is now more evidence of the 'fear of missing out' syndrome (FOMO).

As for my own personal opinion, I think we may experience some turbulence over the next few months since we are approaching a seasonally volatile time period. But it is my belief that the markets will eventually recognize that (1) corporate profits will begin to improve in 2024 and 2025, and (2) interest rates will begin to go down in 2024 and 2025. These should be positive tailwinds for the markets.

*This is provided for informational purposes only. Particular investments and/or trading strategies should be evaluated relative to each individual's investment objectives. You should not act or rely on the information contained here without seeking the advice of an appropriate professional advisor.*