



What a difference a year makes. At the start of 2023, market pessimism was widespread, investors braced for a recession, and many expected another down year in stocks. Instead, the economy proved remarkably resilient, inflation declined at a rapid pace, and US stocks, as represented by the S&P 500 index, soared 26.3%¹. Now with the index teetering near record highs, the sentiment is much more optimistic.

Behind the dramatic turn in attitude is a growing belief among investors that the Federal Reserve's campaign to fight inflation is winding down, ending the interest-rate hikes that buffeted markets in recent years. Many now expect the central bank will likely next cut rates instead, shifting market dynamics².

Here are five key insights to investing in the year ahead³:

1. *Elections come and go, but results last a lifetime.* Election uncertainty will likely trigger higher market volatility. In turn, volatility can generate opportunities for patient investors. Historically, the party that prevails has had little impact on long-term market returns⁴.
2. *Cash might not be as attractive as you think.* While attractive rates on money market funds and cash equivalents may feel reassuring now, the opportunity cost may prove costly for long-term investors. Further, if interest rates decline this year, money market rates will likely follow suit.
3. *Innovation is alive and well but diversification matters.* Breakthroughs in artificial intelligence (AI) have captivated the world and sent share prices soaring for a handful of mega-cap tech companies. But their recent successes have resulted in a US stock market that's more concentrated than it was in the dot-com era. Given the economic and geopolitical uncertainties, combined with the high concentration of tech stocks in the S&P 500 index, we believe diversification is as essential as ever.
4. *The comeback story in bonds may just be getting started.* Bonds have recently failed to offer the stability and diversification investors have grown to expect. The picture has brightened, and bonds may soon return to their basic roles of offering income and diversification from equity downturns.
5. *There are always reasons not to invest, but markets are resilient.* The author, Nick Murray, is quoted as saying "The greatest force on earth is human ingenuity, and stocks are the only asset class that has ever captured the entirety of human ingenuity".

In our process, we strive to balance risk of our allocations across value and growth, small and midsize, and various international and other asset classes. Thank you for your continued trust in us to manage your assets.



Miller Wealth Advisors

Planning for life. Preparing for a lifetime.

Sources:

1. *Barron's: The 2023 Rally Surprised Everyone, 01.01.2024*
2. *Wall Street Journal: Optimism Flows on Wall Street, 01.02.2024*
3. *Capital Group: Capital Ideas, 2024*
4. *Valmark: TOPS Quarterly Update Q4 2023, 01.16.24*

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