



Ropes Wealth and Our Pursuit of Understanding

There are no words to provide comfort or hope in the wake of this week's violence and tragedy in Israel. There is only shock, grief, and fear. We are all worried about what this means for our families and our friends and as a citizen of the world. We have now two wars raging, innocent people dying, and communities being ripped apart.

Like me, you struggled this week to understand how we could on the one hand have this horror unfold, and on the other hand have the stock market rise in price until Thursday. It was unfathomable how this turn of events did not drive markets markedly lower just when we were regaining our footing from 2022.

The ugly truth is that the stock market looked at this tragedy and saw relief from rising interest rates. First, there was the "flight-to-quality" instinct that caused investors to snap up risk-free U.S. Treasuries, which drove yields lower after a month of relentless interest rate increases in September on the back of good economic news. Then, there was the growing chorus of investors saying that despite sticky inflation and healthy jobs reports, it would be inconceivable for the Fed and other central banks to raise interest rates with not one, but two, wars raging.

With that, markets rallied, until Thursday when a hot Consumer Price Index (CPI) reading doused some cold water on the theory that the Fed is sidelined. The CPI rose 0.4% in September, following a 0.6% gain in August. Year-over-year, consumer prices rose 3.7%. Elevated energy prices, which may only be poised to worsen given current events, and sticky labor costs continue to slow meaningful improvement in these statistics. Core inflation, at 4.1%, still remains double the intended 2% target.

It was notable that the release this week of the September Fed meeting minutes showed an ongoing expectation for a sustained period of higher rates. The majority of officials noted one additional rate increase would be "*appropriate*" to reach the Committee's inflation target, while "*some*" said no further hikes would be necessary. The Fed seems pretty clear in its intentions to raise rates and *hold* rates at a sufficiently restrictive level for some time.

And yet, investors saw the tragic events forcing the Fed's hand, and causing them to hold still in deference to the risk this war will bring to order in the world. Of course, we should be on guard that an escalation of tensions, and the involvement of Saudi Arabia or Iran and the U.S. and others, would make all bets off that this is a contained regional conflict and one that might resolve quickly. We must only look at Ukraine and Russia to know there may be nothing quick or expected about Israel and Hamas outcomes.

We cannot ignore geopolitical events, nor can we know their outcome. Past statistics will show that the U.S. stock market has had a 5% total return in the six months following events like these and an 8% total return in the twelve-months after. But every event is unique as well as the context in which it occurs. The only possible sound advice we can offer is to focus on the things you can control: having cash on hand for your liquidity needs, developing clear, appropriate investment goals, setting an asset allocation that is consistent with those liquidity needs and goals, and focusing on optimization of taxes, fees, and results, especially on a risk-adjusted basis. Long-term investing calls for the fortitude to stay committed in periods of uncertainty, not to make a call on outcomes that could go either way.

I often mention my three sons in this weekly letter, who bring me so much laughter and joy that it is hard not to share a story or two about them. You share stories with me too about your own families—your beautiful children, grandchildren, parents—all your loved ones and pets too! In times like these, we need to pause and remember that

the essence of life is in our relationships with one another. We all need to find comfort in our relationships in these challenging times. Albert Einstein once said that “Peace cannot be kept by force; it can only be achieved by understanding.” Those words have always resonated with me personally, and certainly in the context of today. While I can’t offer you reassurance that the violence of our times will end soon, or at all, I can tell you that my team and I are going to do everything we can to try to bring you understanding and a partner in the discernment of the best course for a financial life that brings you peace of mind even when the world is anything but.

Thank you as always for your interest in our investment commentary. Please let your RWA team know if you have any questions or concerns. If you would like to speak personally with a member of our team at any time, please click [here](#).

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Ropes Wealth Advisors LLC
800 Boylston Street Boston, MA 02199-3600