



### ***Ropes Wealth Reviews Recession Risk and Remembers Legends Lost***

Before we get to discussions of markets, I would be remiss not to acknowledge our human losses separate from this month's exuberant market gains. In this last week, we have lost some incredible people who lived long lives of achievement—former first lady Rosalynn Carter, Charlie Munger the longtime vice chairman of Berkshire Hathaway, and former Secretary of State and diplomat Henry Kissinger. All three lived nearly a century here on this earth and built enduring (though in the case of Kissinger, complicated) legacies. As they were eulogized in the media this week, I was struck by their remarks about leadership that felt needed in this moment.

*"There are always people who will be better at something than you are. You have to learn to be a follower before you become a leader."* –Charlie Munger

*"The task of the leader is to get people from where they are to where they have not been."* –Henry Kissinger

*"A leader takes people where they want to go. A great leader takes people where they don't necessarily want to go, but ought to be."* –Rosalynn Carter

As we enter this last month of the year 2023 and look forward to the new year, we are all wondering what's in store. Will we close the chapter on the pandemic for good? Will there be an end to the wars in Ukraine and Israel? Can we rebuild fraught and fractured global relationships? Will we begin to address the challenges of aging demographics, climate change, and income inequality? Will we have to endure the predicted recession and if so, how will markets react?

November's historic 8.9% rally in the S&P 500, after a doom-filled September and October and dismal 2022, offered relief and some much-needed restoration of value to portfolio balances. But the rally, still narrowly concentrated in the market's darlings in the technology and communication services sectors, was driven by a growing consensus that the Fed is not only "done" with interest rate hikes but poised to cut rates. Billionaire investor and Pershing Square Capital Management founder Bill Ackman theorized those cuts could come as soon as the first quarter of next year! It is no wonder the markets found their footing amidst such optimism for a return of monetary stimulus.

And yet, it is hard to believe the Fed would have the justification to pivot that quickly. After all, we learned this week that the economy grew at a revised 5.2% annualized rate in the third quarter of this year. According to Adobe Analytics, shoppers spent a record \$9.8 billion online on Black Friday, up 7.5% from last year, with shopping at physical stores up 2-5%, according to RetailNext. For their part, Wall Street analysts are predicting corporate earnings growth of 6.7% for the first quarter of 2024 and growth of 10.5% for the second quarter of next year. It would seem the Fed would be hard pressed to cut interest rates against such a backdrop of strength.

And yet, there are chinks in the armor of the economy. The holiday shopping season may have kicked off strong but that may have been thanks to aggressive discounts and the rising use of "buy-now, pay-later" options. The Fed's Beige Book commentary released this week noted that the economy and labor market continue to cool, and inflation continues to moderate: "on balance, economic activity slowed," from October 7

through November 17, with only *"four Districts [out of twelve] reporting modest growth."* Looking forward, *"The economic outlook for the next six to twelve months diminished,"* the report said. Notably, the New York Fed's recession probability model estimates there is still a 46.1% chance of a U.S. recession within the next twelve months.

It is hard to say what the future has in store for us in 2024, and like every year, there are reasons for hope and reasons for caution. There is no doubt that the ongoing wars in Ukraine and the Middle East could be more disruptive than markets now expect, and domestic politics remain a concern. But with the fundamentals reasonably healthy and the macro picture stabilizing, many of the economic fears that pulled markets back in recent months may be behind us. To sum it all up, the market is rallying because the risk of a hard landing recession has seemingly subsided.

Going back to words of wisdom from legends lost this week, it is only appropriate that I close out this note with another iconic line from Charlie Munger who never missed an opportunity to advocate for patience, resilience, and perseverance in the investment journey.

*"Sometimes it's night and sometimes it's daylight. Sometimes it's a boom. Sometimes it's a bust. I believe in doing as well as you can and to keep going as long as they let you."*

RIP.

We hope you had a wonderful Thanksgiving and are looking forward to the holiday season. If you would like to speak personally with a member of our team at any time, please click [here](#).

It is our pleasure to offer a summary 2024 tax guide for your interest and planning discussions. To access, please click [here](#).

---

*The information set forth in this communication is presented by Ropes Wealth Advisors, a division of RWA Wealth Partners, LLC. The contents are for informational and educational purposes only and are not intended as investment, legal or tax advice. Please consult with your investment, legal or tax advisor concerning any specific questions you may have. Ropes Wealth Advisors cautions the reader that past results are not indicative of future performance. The historical return of markets generally and of individual assets classes or individual securities may not be an accurate predictor of future returns of those makers, asset classes or individual securities. Ropes Wealth Advisors does not guarantee the accuracy and completeness of any sourced data in this communication.*

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