MORAN
WEALTH MANAGEMENT®

NOVEMEBER 2022

MORAN MONTHLY DIGEST

Insights From Our Founder

Dear Clients,

Like many of you, I am heartbroken over the widespread devastation of Hurricane Ian. I have also been humbled by the overwhelming community response as we rebuild our beloved piece of paradise. For those of you looking for ways to get involved in relief efforts, please visit **Volunteer Florida** for more information. At this time, we would also like to express our sincere gratitude to all first responders and volunteers working tirelessly to assist those in need.

Currently, we are at the height of seminar season. I will be hosting my 'State of the Market' seminar in Moran Wealth Management® Center for Financial Education. I look forward to sharing my outlook on the economy and market. Several other advisors on our team—Charlie Chesebrough, Mike Mongin and Aaron Simpson—are also hosting seminars. Our seminars are complementary and open to the public. We ask that you make a reservation through our website or by telephone in advance.

Thomas M. Moran AIF®
Chairman | CEO | CIO

Speculation surrounding Fed policy continues to drive the stock market. Although inflation remains high, we received encouraging news this month that price pressures are moderating. This could encourage the Fed to slow the pace of their rate hikes. We anticipate the market responding favorably if the Fed pivots to a more accommodative policy. As investors regain trust inflation is cooling, we believe the market could continue gaining momentum into Q1 of 2023. I encourage you to check out our economy Q&A where we answer in detail some of the most common questions we are currently hearing from clients.

As always, please contact our office if you have any questions or if we may be of help in any way. It is our privilege to be of service to you and your family.

Cheers,
Tom

WHAT'S INSIDE

ECONOMIC COMMENTARY

Key Takeaways:

- We believe the Federal Reserve will slow the pace of their interest rate hikes since inflation is now showing signs of easing. We would anticipate the market responding favorably to this dovish pivot. We anticipate stocks continuing to climb higher through Q1 of next year if inflation continues decelerating.
- We continue to favor value stocks over growth stocks in this current economic climate.
- We believe bond performance will continue to be strained while inflation remains high. Short-term bonds remain preferable to long-term bonds.
- We believe if there were to be a recession in 2023, it would be mild due to a strong labor market.
- Since technology has made economic data so readily available, we believe equities have already priced much of this potential economic slowdown into their valuations. This would mean that the markets, while volatile, could face lesser downside compared to previous bear markets.

Do you expect the Federal Reserve to continue raising interest rates and by how much?

We believe the Federal Reserve will continue raising the federal funds rate in its quest to tame inflation, but at a slower pace moving forward. Officials were steadfast in their 'unconditional' goal to lower inflation in their November FOMC meeting, implementing a 75-basis point increase on the federal fund rate. This is the fourth time in a row the Federal Reserve has raised rates by an aggressive three-quarters of a point, bringing the benchmark rate 4%. While Fed Chair Jerome Powell indicated that it was 'very premature' to consider pausing rate hikes, he did not rule out the possibility of slowing the pace of their tightening cycle. With October's inflation data coming in lower than estimated, we believe we may start to see smaller rate increases as quickly as December with perhaps a 50-point increase. We anticipate the Fed to pause rates sometime in 2023, with the target rate on track to reach 5.00-5.25%. We believe the market would respond favorably to the Fed's dovish pivot.

What are some of the key indicators that may signal inflation is easing?

October's Consumer Price Index (CPI) data released last week came in lower than forecasted, indicating price pressures are starting to ease. Year-over-year, inflation climbed at a pace of 7.7% in October's reading down from 8.2% in September.
While CPI is a lagging indicator, it remains an important measure in evaluating the success of the Fed's tightening campaign. Fed policy has less influence over headline inflation, which includes the more volatile sectors such as gasoline and food.

ECONOMIC COMMENTARY

Rather, we focus on core inflation, which strips out food and oil prices, to see evidence of softening price pressures. October's core inflation measured 6.3% higher from a year earlier, and it's down from 6.6% percent from September's reading. This would indicate that higher rates are indeed starting to take effect on broad consumer demand and tame price increases.

Inflation has remained more persistent than expected until now because it can sometimes take upwards of 12 months for Fed policy to have an effect. When the Fed raises interest rates, big ticket items, such as home purchases and business investments, are the first to slow down. We are starting to see clear indications the housing market is cooling, with contract signings 30% lower compared to the year prior. The stickier issue is the labor market which remains abnormally tight but shows nascent signs of loosening up. Unemployment rose to 3.7% in October and the pace of hiring has slowed. Wage growth, however, remains robust and signals the Fed has a lengthy journey before reaching its 2% inflation target. If wage gains continue, businesses will most likely pass on these rising payroll expenses to consumers through higher prices.

Why aren't bonds performing as a risk-reduction tool this year? When will bonds become more attractive?

This has been the worst year for bonds since 1926. With their steady stream of income, fixed income has traditionally been viewed as diversification against stock market risk. This has proven less beneficial this year as the Federal Reserve has ratcheted rates higher to combat inflation. Bond prices move inversely to bond yields. When the Fed raised the federal fund rate this year, bonds dropped in value. Bond prices were particularly sensitive to interest rate hikes during this tightening cycle since rates were so close to zero after the quantitative easing measures the Fed took to kickstart the economy during COVID. We believe bond performance will continue to be strained while inflation remains hot. We are not anticipating a bond rally any time soon. However, once the Fed pivots and begins to ease interest rates, bond prices will rally once again. Presently, short-term bonds such as Treasury bills are more attractive than longer-term maturities.

Why are value stocks outperforming growth stocks right now? Do we believe this will continue to be the case?

Not all stocks are equally bearing the brunt of this downturn. We continue to believe that value stocks remain more favorable than growth stocks at this point in the economic cycle. High-growth tech stocks, which were the crown jewel of the market during the post-COVID rally, have been particularly pummeled in this high inflationary economy.

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This is because they rely significantly on future cash flow projections, which become more discounted and therefore less valuable with inflation and higher rates. In comparison, value stocks are priced according to their current cash flows. This makes their valuations less sensitive to inflationary pressure. We believe that value stocks will continue to outperform growth stocks until inflation eases.

Will the Federal Reserve ultimately push the economy into a recession in 2023?

Economist are torn, but time will ultimately tell. Due to the strong labor market, we may avoid a recession in 2023. However, we believe that if there were to be a recession, it would be mild.

With two negative quarters of GDP growth in 2022, it is even possible that we have already experienced a recession this year. The strong labor market would make this one unusual, but ultimately, that decision is left to the economist in the National Bureau of Economic Research (NBER). Although the common definition of a recession is two quarters of GDP contraction, economists must consider many variables when making their decision. Because they are looking at historic data, economists will oftentimes not officially declare a recession until after it is over.

The Federal Reserve is attempting to engineer a 'soft landing' to rein in inflation without triggering a recession. To pull this off the Fed needs to have a Goldilocks approach to rate hikes—not too fast, not too slow, but just right. Powell admitted in the last FOMC meeting the path to a 'soft landing,' while still possible, was narrowing. There is strong reason to believe if Fed policy does tip the economy into a recession, it would be shallow because unemployment is so low.

The more important question is whether a potential recession is already priced into the market, and we believe that it has been. The stock market is a forward-looking indicator of economic growth and has traditionally bottomed well before economic activity has reached its trough during a recession. We believe this is even more likely for this recession since technology has made economic data so readily available. Therefore, if there were to be a recession in 2023, we believe equities have already priced much of this economic slowdown into their valuations. This would mean that the markets, while volatile, could face lesser downside compared to previous bear markets.

PHILANTHROPY

FEATURED CHARITY

Philanthropic giving is one of the many ways we can make a difference in our community. At Moran Wealth Management®, we are privileged to have served over 30 charities and counting through financial donations and volunteer efforts.

We seek to bring awareness, advocacy, and resources to those in need. Today we would like to highlight **Leadership C.A.R.E.S.**

Being a non-professional caregiver comes with physical, emotional, and financial strain. Since their loved ones are their top priority, non-professional caregivers are often unable to find a healthy life balance. This leaves many feeling alone and mentally drained. Founder of Leadership C.A.R.E.S. Sue Ryan has dedicated her professional career to helping others navigate life's challenges through her encouraging support and expertise in non-professional caregiving. Sue was a non-professional caregiver to her father with dementia and her husband Jack, who later was diagnosed with Alzheimer's. She understands firsthand the selfless sacrifice that goes into caring for loved ones and seeks to guide others through life's tough transitions.

To learn more about this organization, please visit: **https://sueryan.solutions/**

Click to play video

CLIENT UPDATES

Conservative Growth Strategy

Our Conservative Growth (CGRO) Strategy has been renamed as Focused Dividend (FDIV). To clarify, **the methodology for managing the strategy will remain the same.** We believe that the name Focused Dividend (FDIV) more appropriately reflects the goal of this strategy.

What is our Focused Dividend (FDIV) strategy?

Focused Dividend (formally known as Conservative Growth) seeks long-term capital appreciation and current income. The manager aims to achieve this goal by investing primarily in large-capitalization companies with strong earnings growth potential and attractive dividend yields.

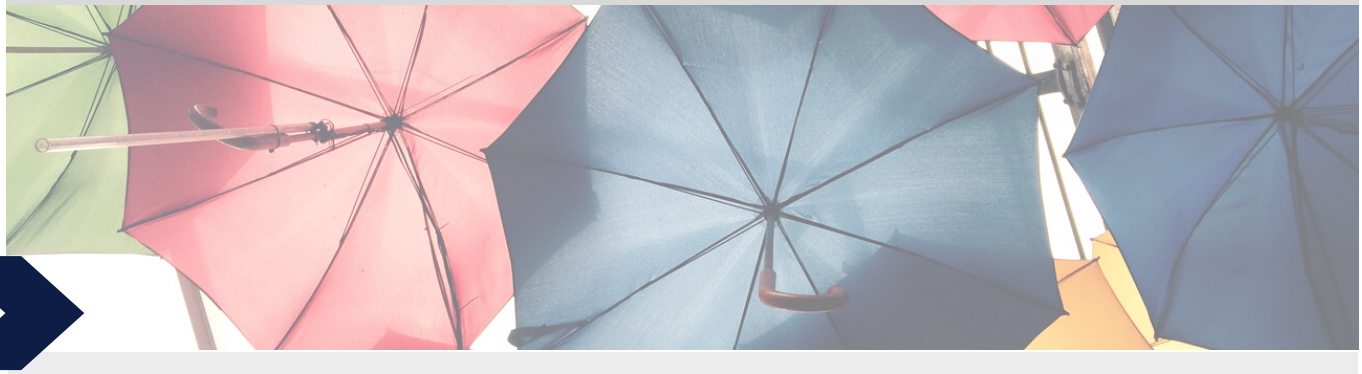
Required Minimum Distribution

The Required Minimum Distribution (RMD) deadline *is December 31 this year, or April 1, 2023, if this is your first mandatory distribution from your IRA.* There are significant IRS penalties for missed distributions, so our goal is to have them all processed by mid-December.

If you call our office and your primary contact is unavailable, we welcome you to speak with any other qualified team member. Any associate can provide the exceptional service to which you are accustomed. If we have processed an IRA distribution for you in the past, we may already have the necessary paperwork on file to proceed in accordance with those specific instructions. New paperwork is required if you would like to change the federal tax withholding or if you have changed the receiving checking account this year. **Please call us immediately to discuss your options at 239.920.4440.**

You may elect to donate directly to a charitable organization from your IRA, also known as a **Qualified Charitable Distribution (QCD)**. It's always a best practice to contact your tax professional to see how you may benefit from charitable giving. We recommend initiating the request early to ensure timely processing. If you have questions about end-of-year financial planning, we are always here to help.

CLIENT UPDATES



Introducing a New Benefit for Our Clients and Employees: Group Excess Liability

As a client or employee of Moran Wealth Management®, we are excited to offer you an opportunity to join a Group Excess Liability program, which provides protection over and above your automobile, homeowners, and watercraft insurance policies.

We have partnered with a local broker; **Sentry Insurance Advisors** to offer this important coverage. The insurance policy is issued by Vault Insurance (A.M. Best Financial Rating "A-" / Excellent) and the program administrator is NFIP Private Client Group.

Our dedicated enrollment **website** provides a full summary of coverage benefits, the group discounted pricing, and the required underlying limits of liability. The policy term is 12/15/2022 - 12/15/2023. You may join the upcoming term at any time on a pro-rated basis.

PLEASE TAKE A LOOK AT THE FOLLOWING PAGE FOR INSTRUCTIONS ON HOW TO REGISTER.

This is not an investment recommendation provided by Moran Wealth Management®. This introduction is provided for your convenience. Neither Moran Wealth Management® nor any of its affiliates receives any compensation for this introduction.

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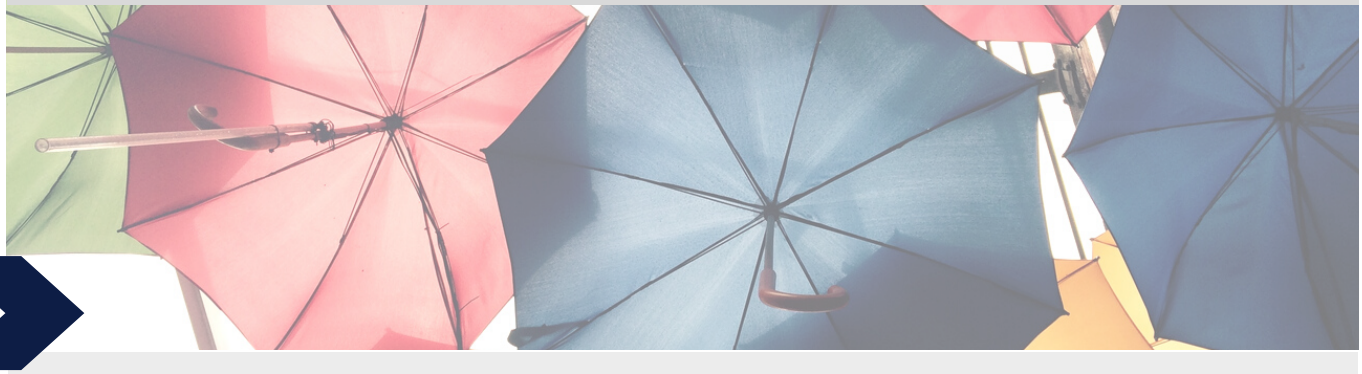

Instructions for registering and selecting your desired coverage are as follows:

You may register at https://moranwealthmanagement.nfpgroupexcess.com/ using the Company Code of **0160**.

- After entering the click **Register** and complete all information, then click **Submit**.
- A security email will be sent to the email address you provided.
- Click on the link in the email which will navigate you back to the website.
- Input your email address and password, click **Log In**, then click **Enroll**.
- Click on **Complete Questionnaire** and fill in the Name, Driver's License #, Date of Birth for ALL household drivers.
- Please check the **Yes/No** boxes for violations, both minor and major, and at fault accidents for each driver.
- Answer all questions on the questionnaire and then click **Submit**.
- Click Opt-In, answer **"Yes" or "No" to Question 1** and then begin selecting coverage.
- **Check boxes** at the bottom of the page and then click **Continue to Payment**.
- You will then see a review of the coverage limits selected.
- Premium and taxes will be confirmed and you will be able to pay via credit card.
- Once you complete inputting your credit card information, click Submit.
- An email may be sent advising you the application is being reviewed by underwriting.
- Once approved, typically within 1-2 days, you will receive by email your certificate of coverage and policy.

Please do not hesitate to contact **Sentry Insurance Advisors** for individual assistance and guidance. We appreciate your business and hope you will take advantage of this opportunity.

John Paolini (Partner) (239) 350-4902 jpaolini@sentryia.com
Josh White (Partner) (239) 350-4901 jwhite@sentryia.com
Sentry Insurance Advisors www.sentryia.com **5150 Tamiami Trail N. (403), Naples, FL 34103**

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WELCOME TO THE TEAM

Meagan Hernandez - Client Associate

Meagan Hernandez is a Southwest Florida native who brings over a decade of experience in the financial services industry to her position. Previously serving as a client representative for consumer banking branches and an investment advisory firm, Meagan is focused on maintaining client-advisor relationships.

Born in Miami and raised in Naples, Meagan now spends her time as a mom to three boys, Connor, Gavin, and Noah. She also enjoys giving back to the community as a mentor for the Immokalee Foundation and a volunteer with Collier County Schools. When taking a trip, she prefers a short getaway to Bimini in The Bahamas to watch the world-class sunset.

Gina Albergo - Marketing Associate

Gina Albergo is a graduate of Florida Gulf Coast University, where she earned a B.A in Communications with a concentration in Public Relations, graduating Summa Cum Laude with recognition on the prestigious President's List. Additionally, she also received the Principles of Public Relations Certification from the Universal Accreditation Board.

Gina grew up in Monroe, New Jersey where she performed at venues across the area as a professional vocalist and songwriter. She is a devout Christian who considers her faith to be the core of her identity. With a longtime passion for writing, Gina is a member of the Florida Public Relations Association SWFL Chapter and completed her internship at St. Matthew's House. She loves exploring Southwest Florida's local nature preserves and swamp sanctuaries, capturing their beauty through her photography.

MORAN WEALTH MANAGEMENT®
CENTER FOR FINANCIAL EDUCATION

UPCOMING SEMINARS

State of the Market
Hosted by Thomas Moran AIF® | Chairman | CEO | CIO
November 29th, 1:00 p.m. ET | December 1st, 2:00 p.m. ET | December 14th, 1:00 p.m.

What Market History Tells Us About What the Future May Bring
Hosted by Charles E. Chesebrough, Jr. CFA®
Senior Vice President
December 7th, 2:00 p.m. ET

What We Believe Every Current Annuity Owner Should Know
Hosted by Aaron Simpson CFP®, CLU®, ChFC®, RICP®
Senior Vice President
December 15th, 10:00 a.m. ET

Seating is limited for these seminars. For reservations, please call 239-513-2511 or visit our website for additional seminar dates.

Please note that there will be no seminars during the week of Thanksgiving, November 21st - November 25th.

Contact Information

5801 Pelican Bay Blvd
Suite 110
Naples, FL 34108
https://www.moranwm.com/
Please feel free to call us to schedule a private meeting:
239.920.4440.

Schedule a Consultation

Request Information