

JANUARY 2023

MORAN MONTHLY DIGEST

Insights From Our Founder

Dear Clients,

As we approach 2023, it is a perfect time of year to pause and reflect. I am particularly filled with gratitude for your loyalty during our transition to becoming a Registered Investment Advisor (RIA). This shift affirms our commitment to offering the highest caliber advice and client service. My team is diligently working behind the scenes to roll out a new suite of capabilities for you and your families. I'm excited to share these new developments with you as they become available.

This past year has certainly brought significant macroeconomic and geopolitical headwinds. Not all sectors equally shared the brunt of this volatility, though. Stock selection, like within our managed portfolios, became even more favorable relative to broad-based indices. We believe active management and tactical asset allocation will continue outpacing passive investment in 2023. To learn more about our outlook for next year, please read our Economic Q&A on page 2. We believe that although the future may remain volatile, there still lies opportunities.

We look forward to welcoming you to one of our client events this upcoming season. Several advisors on our team — Charlie Chesebrough, Mike Mongin, and Aaron Simpson — and I continue to host seminars on various topics in the Moran Wealth Management® Center for Financial Education. Additionally, we look forward to having you at one of our three remaining client dinners this year. A formal invitation should arrive in the mail soon if you missed our email eblast.

As always, please contact our office if you need assistance or have any questions. It is our privilege to be of service to you and your family. I hope you have a joyous holiday season and a prosperous New Year.

Cheers,
Tom



Thomas M. Moran AIF®
Chairman | CEO | CIO

WHAT'S INSIDE

[Economic
Commentary](#)

[Client Updates](#)

[Philanthropy](#)

[New Hires](#)

[Upcoming Seminars](#)





ECONOMIC COMMENTARY

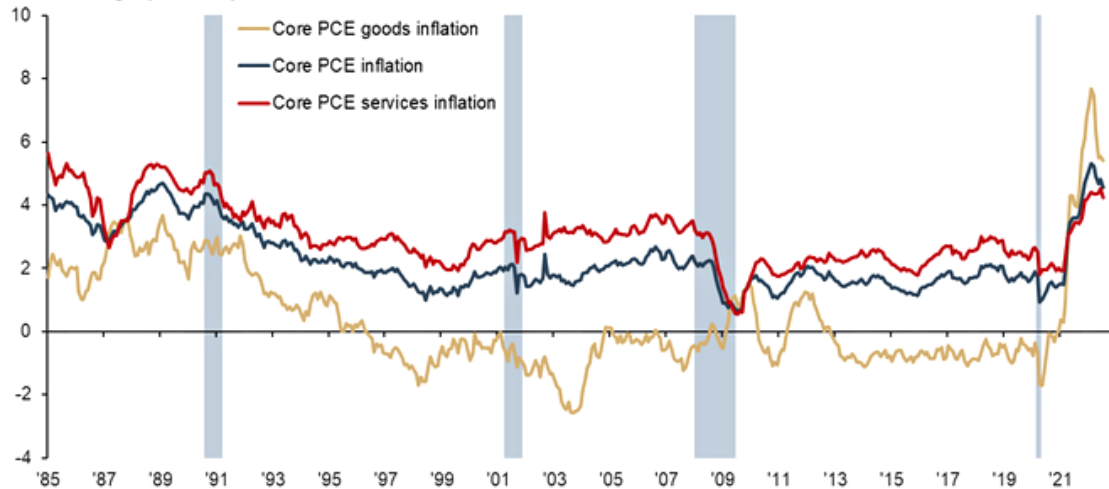
Have we reached peak inflation?

Yes, we believe that peak inflation is behind us. Core Price Index (CPI) data released this month showed headline inflation slowed in November to 7.1% from a 7.7% rise in October. Moving forward, we expect price pressures will continue easing but will remain above historical averages through next year. We believe this is primarily due to services inflation—as opposed to goods inflation—remaining stickier than anticipated.

Inflation is defined as the broad increase in prices of goods and services. ‘Goods’ are any tangible object, while ‘services’ include anything from haircuts to pet care.

Chart 1
PCE Services Inflation Steadily Rises as Goods Inflation Eases

Percent change, year over year



NOTES: Gray bars indicate recessions as designated by the National Bureau of Economic Research. PCE is personal consumption expenditures.
 SOURCE: Bureau of Economic Analysis.

As the chart above illustrates, goods inflation has decelerated considerably faster compared to services inflation. This can be attributed primarily to two reasons: 1) supply chain bottlenecks clearing and 2) demand shifting away from goods back to services spending. During the pandemic, the demand for goods outpaced the demand for services when consumers spent more time at home. As lockdowns lifted, demand for services once again increased as consumers return to normal life.



ECONOMIC COMMENTARY

This is significant because services pricing is very much tied to wage growth, which has hit historic highs this year due to a tight labor market. From restaurants to law firms, labor costs tend to be the biggest expense for businesses within the service category. Since wages rarely are adjusted downward, services inflation tends to be less dynamic than goods inflation. Essentially, we believe services inflation may persist until the labor market stabilizes. In positive news, services spending also includes monthly rentals, which do show nascent signs of slowing. In December 2022 rental rate increases hit their slowest pace in the last 19 months.

In summary, we believe inflation has peaked and will continue decelerating at a moderate pace in 2023 due to the price of goods dialing down. Still, we believe inflation and the strong labor market will remain the Fed's biggest obstacle in 2023. It is our opinion that although inflation has peaked, it will linger until the labor market stabilizes.

Do you expect the Federal Reserve to continue raising interest rates next year?

Due to persistent inflation within the services category, we believe the Federal Reserve will continue raising rates in 2023 but likely at a slower pace. Last week, Fed Officials voted to raise the federal funds rate by half a percentage point, bringing its benchmark rate from 4.25% to 4.50%. This is a departure from the three-quarters of a percentage point hikes imposed at the last four Fed meetings. While this change in monetary policy underscores signs that inflation is moderating, Powell signaled more hikes were to come next year. Fed Officials are now forecasting the benchmark rate to hit 5.25% next year, which is higher than previously predicted. We still believe the benchmark rate will ultimately not exceed 5% and eventually will be revised downward. We are expecting the Fed to raise interest rates once or twice next year in 50 or 25 basis point increments.



ECONOMIC COMMENTARY

What is your outlook on the markets in 2023?

After a year of macroeconomic shocks and geopolitical plot twists, we believe 2023 will remain just as dynamic for investors. In positive news, we believe history may be in our favor during the first quarter. If we look at historical market performance after entering bear territory, returns tend to be above average over the next year. Since the 1950s, stocks have historically seen a one-year median return of 23.9% after crossing the bear market threshold. Since we entered a bear market in June, we believe the first quarter of next year could continue its rebound and bring above-average returns. We also are anticipating investors responding favorably as the Fed continues its dovish pivot and slows the pace of its rate hike.

Should the market extend its gains during the first quarter, we believe value stocks will continue outpacing growth stocks due to the Fed's rate-hiking campaign. Remember, growth stocks are particularly sensitive to higher rates as their valuations are based primarily on future discounted cash flows. Companies with steady cash streams and strong balance sheets should continue outperforming relative to growth companies as long as the Fed continues raising rates.

In the second quarter, we believe stocks may begin experiencing downward pressure once again if recessionary leading indicators crystallize even further. One of the most historically reliable forward-looking indicators—the 10-year and 2-year Treasury yield curve—has been inverted since July. Although not every inversion has foreshadowed a recession, there has yet to be a recession absent a yield curve inversion since the 1970s. When a recession does follow, the 10 and 2-year yields invert on average 19 months ahead of an economic downturn. We are increasingly anticipating a recession to hit the economy in the second half of 2023. Keep in mind the stock market is forward-looking, so equities should bottom well before the economy stalls.



ECONOMIC COMMENTARY

Since we believe this economic recession will remain relatively mild due to a strong labor market, we anticipate the market downturn to stay relatively shallow as well. We even believe much of the potential bear market has already been priced in due to advancement in technology. Investors are able to access and therefore digest economic data well in advance compared to other market cycles. Remember, market valuations have fallen considerably from their frothy highs in late 2021. For instance, the S&P 500 estimated P/E ratio is currently trading at 16.46, down from 23.88 a year ago. The Russell 2000, which tracks small-cap companies, is trading at even more of a bargain relative to a year earlier—down from 15.49 to an estimated 12.06 P/E ratio.

Due to their cheaper valuations, coupled with where we are in the economic cycle, we are bullish on small-cap value stocks in 2023. Mid-cap value stocks also may be advantageous to own in a well-diversified portfolio.

In summary, we believe value stocks will continue outperforming growth stocks through 2023. For less risk-averse clients, we may recommend adding exposure to small-cap value and mid-cap value equities. Stocks are still preferable over bonds in this rising interest rate environment. And finally, while we still favor U.S. equities over international stocks, value-oriented non-U.S. equities are becoming more attractive.

If you have any specific questions concerning your allocation, please do not hesitate to contact your Financial Advisor.

CLIENT UPDATES



Broadridge Class Action Service Update

Due to the recent updates by SEC Regulation, Broadridge will no longer be filing Fair Funds Securities Litigation claims on behalf of Moran Wealth Management® clients. You may complete the documentation independently if you would like to participate in any Fair Fund claim matters. Clients will receive notices and claim forms in the mail if they held or currently hold qualifying shares.

However, Broadridge will still file all other qualifying class actions on your behalf. If you wish to discuss Broadridge's Class Action Service update further with one of our operations associates, please call us at [239-920-4440](tel:239-920-4440).

Technological Improvements

We appreciate your patience while we update our technology to better suit your needs. We have been working diligently behind the scenes to roll out the Moran Wealth Management® client portal in early 2023 to all our valued clients. Through this online portal you will have secure, easy-access to your account information all under one login including the following:

- Custom dashboard providing you with a dynamic overview of your portfolio with performance cards highlighting key information of your portfolio including:
 - Account balances
 - Allocation details
 - Transaction history
 - Gain/loss information
- Historical and current performance history across accounts
- Easy-to-access & secure storage of important documents (Tax Related, Estate Planning, etc.)

Our goal is to create more consistency and transparency to empower each of our clients to focus on what truly matters, living your legacy. We will be in touch with you soon with more information.

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 [Gulfshore Playhouse](#).

Gulfshore Playhouse, founded in 2004, has established itself as a nationally recognized regional theater in Southwest Florida with a mission to enrich the cultural landscape to the highest artistic standards. Gulfshore Playhouse provides unique educational opportunities that expand the imagination and enhance a spirit of service, adventure, and excitement.

To learn more about this organization, please visit: <https://www.gulfshoreplayhouse.org/>



[CLICK TO WATCH VIDEO](#)

WELCOME TO THE TEAM



[Jasmina Townsend](#)

A Client Associate with Moran Wealth Management®, Jasmina Townsend is a Serbian native who graduated from Belgrade University with her bachelor's degree in Business Economics. She embodies vast experience in both the European and American financial sectors. Previously serving in roles with Eurobank AD Belgrade and BankUnited in Naples, Jasmina now has a new title: being a mom to her young daughter, with whom she enjoys doing arts and crafts. While she loves catching sunsets, she says her perfect day would start with coffee and end with her daughter's hugs and kisses.



[Korina Gainey](#)

A Client Associate with Moran Wealth Management®, Korina Gainey is a graduate of Edison State College who also serves a notary public for the State of Florida. With over five years of experience in client services including three previously spent as the Director of First Impressions for another top wealth advisory firm, Korina is focused on developing relationships built to last. A native of Southwest Florida, Korina spends her time immersing herself in the Naples community by supporting local business and donating to various charities throughout the year. She also enjoys traveling, especially in the Sunshine State, counting Disney World as one of her guilty pleasures.



[Katie Schold](#)

A Human Resources Officer and Client Associate with Moran Wealth Management®, Katie Schold is a graduate of the Florida Institute of Technology where she earned her master's degree in Organizational Leadership. She also previously earned her Bachelor of Social Work. Katie is a Manchester, New Hampshire native who previously spent seven years at Process Research & Optimization, most recently as the Director of Marketing and Sales, where her responsibilities included developing strategies to generate traffic and ensure the success of marketing campaigns. Her favorite quote is "Believe you can, and you are halfway there," by Theodore Roosevelt. She actively volunteers in the surrounding community including organizations like the Children and Home Society and Shellpoint Rehabilitation Center.

UPCOMING SEMINARS

State of the Market

Hosted by Thomas Moran AIF® | Chairman | CEO | CIO
January 4th, 1:00 p.m. ET | January 6th, 10:00 a.m. ET | January 24th, 1:00 p.m. ET
MWM Center For Financial Education

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January 26th, Noon ET

[Flemings Steakhouse](#) 8985 Tamiami Trail N, Naples, FL 34108

Should You Declare Florida Domicile

Hosted by Thomas Moran AIF® | Chairman | CEO | CIO
January 10th, 2:00 p.m. ET | January 11th, 10:00 a.m. ET
MWM Center For Financial Education

Market Outlook: 2022 Was Difficult. Will 2023 Be Better?

Hosted by Charles E. Chesebrough, Jr. CFA® | Senior Vice President
January 17th, 2:00 p.m. ET
MWM Center For Financial Education

Avoid Decision Making Perils in a Volatile Market

Hosted by Michael Mongin | Senior Vice President
January 20th, 1:00 P.M. ET
MWM Center For Financial Education

MORAN WEALTH MANAGEMENT® CENTER FOR FINANCIAL EDUCATION

5801 Pelican Bay Blvd
Suite 110
Naples, FL 34108

Seating is limited for these seminars. For reservations, please call [239-513-2511](tel:239-513-2511) or visit our [website](#) for additional seminar dates. Please feel free to call us to schedule a private meeting [239.920.4440](tel:239.920.4440).

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