

A Note From Your Advisors

BAIRD

THE MAIN, GOWIN, FISCHER, RICE GROUP

July 25, 2023

The first six months of 2023 have provided some of the most surprising market conditions in my memory. 2022 was one of the most challenging bear market years investors have faced in quite some time. Sharply rising interest rates, inflation, global turmoil, and midterm elections combined to force the S&P down nearly 19% and the Bloomberg Aggregate Bond Index down nearly 14% for the year. High flying technology stocks were hit the hardest, with many mega-cap names down more than 50% on the year.

Political division and pessimism continue to dominate our psychology every day. Many of our clients tell us during review meetings and conversations that they lack confidence about markets and the world. Some have even lost confidence in their own financial future based on what they see and hear on the news and observe around them (**spoiler:** usually drawing the focus away from the news and back to our individual financial plan is the antidote for this pessimism...)

On the heels of all this, raise your hand if you expected the S&P 500 to be +16% through the first six months of 2023, led by sharply higher results from those same volatile technology stocks! Economists and market strategists certainly didn't... But they are human too and collectively even those experts have done a crummy job at forecasting the stock market year by year.

As you can see from the table below, each of the last two years the consensus forecast for the year-end S&P 500 value has been off by 20-25% in either direction. Of course we don't know where 2023 will end, but the current level of 4,536 is already 13% above the median forecast. By the way, these numbers are very consistent with those seen for the previous couple decades. Imagine a weather forecast that predicted the high temperature for the day would be 80 degrees, only to have the real high temperature be 60 or 100! The famous economist John Kenneth Galbraith had it right in the 1980s: "The only function of economic forecasting is to make astrology look respectable."

This is why as investors we can't try to time markets, pulling money to the sidelines until we "feel better about things." *Fear of loss* and *fear of missing out* are the enemies. Instead stay laser focused on your purpose and goals as an investor – those things that truly matter to you probably aren't changing dramatically from year to year; they are not based on recent market performance or the results of the last election. Work with your advisor to have a plan and to make sure your portfolio is properly diversified and appropriately responsive to changes that life brings.

- The Main, Gowin, Fischer, Rice Group

Year	Median Forecast	Actual Value Year-End S&P	Gap
2021	3800	4766.18	-25.4%
2022	4825	3839.5	20.4%
2023	4009	???	???