# Synovus Market Update

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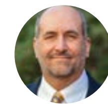
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## A Year-End Economic Review

Chris Brown, Vice President — Investments, Synovus Securities, Inc.

As we enter the holiday season, let's take a quick look at the ghosts of market pasts. Investors left the tumultuous 2022 market performance grasping for their cash, and that was with the Federal Reserve (Fed) helping to create one of the largest consumer inflows in U.S. Treasury Bills (T-Bills) in more than a decade. The BofA Global Investment Strategy chart below shows the cumulative inflows of private client accounts near $80 billion of 1 month through one-year T-Bills. Furthermore, one-to-12-month T-Bill rates have an average yield of 0.50% to 1% higher yield compared to the two-, five-, seven-and 10-year treasury notes. Many baby-boomer aged investors, apprehensive Generation X and millennial stock and bond investors — as well as small businesses with large cash reserves — could easily avoid the worries of FDIC deposit limitations, created in March of 2023 by the failures of a few high-risk regional banks. They were able to buy a short-term cash equivalent, or "CD-like" investments earning above 5%.

The higher, Fed-imposed interest rate environment created new disposable interest income for households and businesses that otherwise would be earning less than 1% in most checking and savings accounts. The Fed's aggressive rate-hiking policy of 2022 and early 2023 may have perpetuated further U.S. consumer spending in the economy by creating a new income avenue for savers and wealthy investors. Many U.S. T-Bill investors with $1 million in cash reserves were able to create just more than $50,000 in interest income in 2023. This may be one contributor in the recent jump in household disposable personal income numbers from $18.3 billion

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## Fed and Interest Rate Update

Eric Krueger, Synovus Trust Senior Portfolio Manager

This month we will once again delve into the recent Federal Reserve decision and its implications for market interest rates. On November 1, the Fed opted to maintain rates at the same level for the second consecutive time. The market now anticipates that rates will remain stable until May 2024, at which point a 1.00% decrease in rates is expected during the second half of 2024.

**Fed Update**

During the Federal Open Market Committee (FOMC) meeting, the committee decided to hold rates steady on November 1 for several reasons, including:

- Economic activity expanded strongly in the third quarter
- Job gains, although slightly moderated, remain robust and unemployment remains historically low
- Inflation, while descending, remains uncomfortably high

The FOMC meeting was largely uneventful, with rates being held steady. Many on Wall Street predict that the rate hiking cycle is now finished. Employment and inflation are the two primary factors driving Fed policy. As mentioned earlier, employment continues to be strong, with the economy offering 3 million more jobs than there are unemployed individuals (9.55 million job openings versus 6.51 million unemployed). Inflation has also continued its downward trajectory, with risk-free rates following suit.

Source: https://fred.stlouisfed.org/series/DFEDTARU

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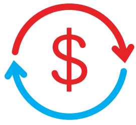

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## ➔ How to Approach Withdrawals from Your Portfolio At Retirement

Jarrett E. Hindrew, Financial Advisor

One of the biggest concerns for retirees is how much they can safely withdrawal from their portfolio without spending down their assets. This phase is more challenging for advisors and investors to manage because while they are withdrawing funds from their portfolio, they are also having to manage risk such as market volatility, inflation, taxes, health cost and longevity.

Last week, a nationally syndicated radio show host who offers personal financial advice recommended that retirees invest 100% of their portfolio assets in equities and withdraw 8% from their portfolio per year to provide for retirement income. The advice was as follows:

"If you're making 12 [percent] in good mutual funds and the S&P [500] is averaging 11.8, and if inflation for the last 80 years is 4%, if you make 12 and you need to leave 4% in there for average inflation raises, that leaves you eight. So, I'm perfectly comfortable drawing eight. But if you want to be a little bit conservative, seven. But, sure, not five or three."

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## ➔ Tech Corner: Has the Semiconductor Market Finally Bottomed?

Daniel Morgan, Senior Portfolio Manager

The Semiconductor Industry Association (SIA) recently announced global semiconductor sales for the month of September 2023 increased 1.9% compared to August 2023 and fell 4.5% compared to September 2022. Worldwide semiconductor sales totaled $134.7 billion during the third quarter of 2023, an increase of 6.3% compared to the second quarter of 2023. Global semiconductor sales increased on a month-to-month basis for the seventh consecutive time in September, reinforcing the positive momentum the chip market has experienced during the middle part of this year. The long-term outlook for semiconductor demand remains strong, with chips enabling countless products the world depends on and giving rise to new, transformative technologies of the future. Regionally, month-to-month sales increased in Asia Pacific/All Other (3.4%); Europe (3.0%); the Americas (2.4%); and China (0.5%). Yet it decreased slightly in Japan (-0.2%). Year-to-year sales increased in Europe (6.7%) but decreased in the Americas (-2.0%), Japan (-3.6%), Asia Pacific/All Other (-5.6%) and China (-9.4%).

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