APRICUS

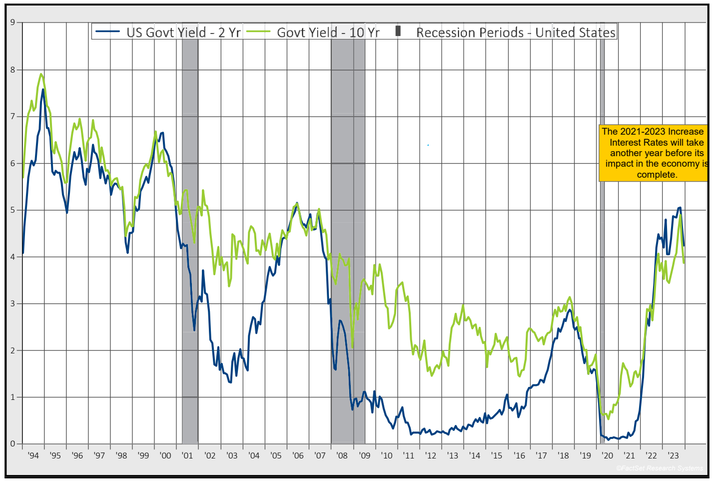
01.24

Last year at this time we pushed back on the consensus viewpoint that a recession in the U.S. was imminent and instead suggested that inflation would moderate, that monetary policy would begin to pivot, and that higher interest rates would constrain some demand. We also expected interest rates to rise and stay elevated compared to recent years. While long-term interest rates did rise during the year, a fourth-quarter pullback in interest rates surprised us. The falling yields partially sparked a year-end rally in the stock market which capped the market's third year in a row of extreme returns, both positive and negative.

The Price for Waiting

It seems that we often write about interest rates, and it is because interest rates are the foundational concept of any transaction that incorporates time. To put it simply, interest is the price for waiting. Since the beginning of 2022, the Federal Reserve Bank has raised short-term interest rates 11 times. Long-term interest rates have also risen in part in response to inflation and from a shift in Federal Reserve monetary policy. As a result of the increases, new government bonds, savings accounts, and money markets are paying much higher interest rates than just two years ago.

As we look out into 2024 the consensus view is that the economy will continue to grow, and the Federal Reserve will lower short-term interest rates to support the labor market. While we ultimately expect the Federal Reserve to lower short-term interest rates, we think it is unlikely that the policy change will help to avoid the next recession. Changes in interest rates impact different parts of the economy in different ways and rarely immediately. We see current labor market strength as helpful now but at risk of decline as 2024 progresses. The Institute for Supply Management surveys have historically been a reliable indicator of corporate intentions. In its December report the ISM Manufacturing, and Services surveys highlighted contracting and slowing labor conditions.



U.S. Treasury Bond Yields and Recession

The good news is that while we expect the U.S. economy to slow and ultimately contract, we do not see areas of conspicuous demand. Instead, we expect the next contraction to be more specific to individual sectors than a typical recession. As a result, we continue to focus on three important portfolio objectives, above-average long-term returns, growing portfolio income, and preservation of capital.

As always, we are grateful for our relationship with you, and we look forward to our next conversation.

With best wishes for a happy and healthy 2024,

Joe, Jim, Ernie, Rusty, Susi and Lisa

APRICUS NOTES

In the fourth quarter, we turned on the **Apricus Wealth Client Portal.** While using the portal isn't required, it will allow clients to safely access current statements as well as statements from previous quarters. Over the next few quarters, we will test and turn on additional features. In the meantime, if you are interested in using the portal or if you have questions about it, please call, or email us.

SECURITY!

This is our regular reminder that your security is very important to us.

Here are a few helpful tips:

- Keep your personal information *personal*. Avoid sharing confidential information by email.
- Keep the operating system on your computer and phone up to date. Turn on automatic updates.