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The start of the new year is always a great time to reflect on blessings and opportunities, and we are thankful to have this opportunity to reach out to you for our reflection on another memorable year. The events summarized below made our 2023 notable list.

- Funeral of Pope Benedict XVI.
- NFL Quarterback Tom Brady retires (again).
- High magnitude earthquake and aftershock hit Turkey and Syria.
- Chinese spy balloon shot down over U.S. airspace.
- Silicon Valley Bank and Signature Bank failures.
- Donald Trump becomes the first current or former U.S. president to be charged with a crime.
- Finland becomes the 31st member of NATO.
- King Charles, III is crowned in the United Kingdom.
- India surpasses China as top populated country.
- Twitter rebranded as X.
- The tourist submersible (Titan) goes missing, likely implodes near the Titanic shipwreck.
- Hawaii wildfires devastate the resort town of Lahaina.
- India becomes the fourth country to land on the moon.
- NASA declares the summer of 2023 to be the warmest on record.
- Walt Disney Corporation celebrates their 100-year anniversary.
- Hamas launches terror attack in Israel.
- Notable deaths – Sandra Day O'Connor, Henry Kissinger, Rosalynn Carter, Tony Bennet, Jim Brown, Tina Turner, Pat Robertson, Jeff Beck, Jimmy Buffet, David Crosby, Bobby Knight, Bob Barker, Matthew Perry.

2023 Major U.S. Sport Champions			
NFL	Kansas City Chiefs	**WNBA**	Las Vegas Aces
MLB	Texas Rangers	**NCAA Football**	Georgia Bulldogs
NBA	Denver Nuggets	**NCAA M Basketball**	Connecticut Huskies
NHL	Vegas Golden Knights	**NCAA W Basketball**	LSU Tigers

Turning to the financial markets, 2022 was a year most investors wanted to forget. Dismal asset class performance and an outlook full of uncertainty (due to the Federal Reserve's entrenched fight against inflation) had investors feeling gloomy. The 2023 start ushered in renewed hope for prosperity, and thankfully, these wishes were realized as the financial markets battled back from bear market territory. The ride was not always smooth, but the buildup of positive momentum resulted in a strong 4th Quarter rally that boosted stocks and bonds to year end highs.

As illustrated in the following table, 2023 returns were broad based and impressive.

Bond and Stock Index Total Return January 2023 - December 2023		
Sector	**Index**	**Return**
Short-Term U.S. Bond	Bloomberg 1-3 Year Treasury	4.29%
Intermediate-Term U.S. Bond	Bloomberg Interm Treasury	4.28%
Long-Term U.S. Bond	Bloomberg Long-Term Treasury	3.06%
Inflation Protected Bond	Bloomberg Treasury TIPS	3.90%
Domestic Large Company	Dow Jones Industrial	16.18%
Domestic Large Company	S&P 500	26.29%
Domestic Small Company	Russell 2000	16.93%
Domestic Large/ Information Tech.	NASDAQ	44.64%
Developed International	MSCI EAFE	18.24%
Emerging Markets	MSCI EM	9.83%
Real Estate/REITs	DJ U.S. Select Real Estate	13.96%
Oil and Gas	DJ U.S. Oil and Gas	-1.04%
Commodities	Bloomberg Commodity	-7.91%
Source: Morningstar		

Investors witnessed several noteworthy events due to the strong quarter performance. The Dow Jones Industrial Average broke through the 37,000-point plateau; the S&P 500 finished in striking distance of a new all-time closing high; the tech heavy Nasdaq ended the year up over 40%; and domestic small cap, international, and real estate sectors made significant improvements from their 2022 declines.

2023 was also a year of economic resilience. Stronger growth, lower inflation, a robust job market, healthy consumer balance sheets, spending support for consumers and businesses, solid corporate profits, and declining energy prices provided a positive climate for expansion. See the last page for more economic details and the summary of year-end economic trends below.

GDP	Inflation	Interest Rates	Jobs	Unemployment Rate	Manufacturing
↑	↓	↑	↑	↓	↓
Housing	**Consumer Spending**	**Business Spending**	**Corporate Profits**	**Energy Prices**	**Stock Market**
↓	↑	↑	↑	↓	↑

The Federal Reserve confirmed positive economic momentum at the Federal Open Market Committee (FOMC) meeting in December. The FOMC data described strong third quarter growth with some slowing current conditions, a tight labor market with low unemployment and solid job gains, notable easing in consumer price inflation, healthy consumer balance sheets, robust income growth, and solid retail sales related to holiday spending. The Committee specifically stated the U.S. banking system was sound and resilient, but tight financial and credit conditions were likely to weigh on economic activity, hiring, and inflation. In support of their long-term goals, the FOMC decided to maintain their target range for the federal funds rate at 5.25% to 5.50% (third consecutive meeting without a rate hike). In addition, they announced that any future decisions on policy movements will be based on a wide range of incoming information, and they are prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of their long-term 2.0% inflation goal.

Regarding the Fed's economic outlook, committee members agreed that real GDP is likely to show additional signs of slowing throughout the new year, and considering the current restrictive stance on monetary policy, they viewed the risks to inflation and employment as moving toward greater balance. Participants also expressed some concerns for softer consumer spending from slower growth of labor income, diminished pandemic-related excess savings, increased credit card usage, and higher delinquency rates on consumer loans. The policy outlook discussion suggested that rates were likely at the peak for this tightening cycle, but the actual path would depend on how the economy continued to evolve. While the Fed is leaving the door open for future increases (if appropriate) or to keep rates at the current level, the December projections implied a lower target range for the federal funds rate by the end of 2024.

While economic expectations are split between a slight expansion and mild contraction, we tend to have a more optimistic outlook that favors a persistent and resilient economy. We believe that moderate growth will be a reasonable expectation in 2024, and we anticipate conditions that will support consumers. We are further encouraged by the cooling trend in inflation, the strong job market, improved business investment, positive housing market developments, and the high levels of household cash (over $4 trillion in consumer checking accounts and $6.1 trillion in money market funds). As the impacts of higher rates filter through the economy, the Federal Reserve's dilemma will shift toward how much and when to loosen the valve on the economic faucet. Ideally, we believe the FOMC would prefer to keep rates elevated to squash a flare up in inflation, but necessity may dictate a move downward sooner rather than later. We eagerly await the start of the easing cycle, but we accept that history indicates the Fed will error on the side of caution.

The international outlook for 2024 will be challenging as divergent outcomes are likely to persist. A halt to the European Central Bank's monetary tightening policy and lower inflation should diminish some of Europe's issues. Japan's ultra loose monetary policy, low core inflation, a new stimulus package, and corporate governance reform will be supportive. Advancements in emerging markets economies (India, Brazil, Mexico, Korea, Taiwan) should progress, while lingering struggles for China will carry over into the new year. Overall, international improvements are underway in most areas, and we believe positive momentum will continue.

As the economy is expected to slow, shocks (risks) to the system could have a profound impact on the landscape for investors. We do not characterize the current situation as being overly vulnerable, but we are watching developments on the following: stubborn inflation, the Fed's projected monetary policy pivot, the 2024 U.S. presidential election, fiscal policy uncertainties, political dysfunction, evaporating consumer savings, labor market imbalances, energy and commodity price shocks, adverse outcomes of AI technologies, extreme weather events, cyberattacks, terrorism, and escalating geopolitical conflicts and instability.

As I have often stated, our investment philosophy remains based on the fundamentals. ***We believe it is time---not timing---that matters most.*** Prudent investors focus on what they can control. They create an investment plan to fit their needs and risk tolerances; they diversify globally; they stay informed; they stay patient and disciplined through market dips and swings; and they don't panic when faced with challenging market conditions.

The start of a new year is an opportune time to revisit and update your financial plan, or to review your estate planning documents for any personal circumstance changes.

The items below are common events that could necessitate financial/estate plan alterations:

- Birth or adoption of a child or grandchild
- Death of a spouse or family member
- Marriage, divorce, or re-marriage
- Health issues or disability
- Education funding
- Child or grandchild reaching the age of majority
- Death of a guardian, executor, trustee
- Change in income or expenses
- Change in career
- Retirement
- Sale of a home or business interest
- Large gift or inheritance
- Revisions in federal or state income tax or estate tax laws

As we prepare to celebrate our 40th anniversary as an advisory firm, we want to wish you and your family a happy, healthy, and prosperous New Year. We also want to say a special thank you for being a valued client. Your confidence and trust are always appreciated.

If you would like to schedule an appointment, wish to receive William Howard & Co.'s SEC Registration Form ADV Part 2A and Part 2B Narrative Brochure, or if you have any questions, please contact our office.

With kindest personal regards, I am

Very truly yours,

WILLIAM HOWARD & CO. FINANCIAL ADVISORS, INC.

William B. Howard, Jr., ChFC®, CFP®

WBH/bdb

2023 Total Return Index Performance			
Asset Class	**Index**	**4th Qtr.**	**YTD**
Cash	BofA/ML Three-Month U.S. Treasury	1.37%	5.01%
U.S. Bonds	Barclays Intermediate-Term Treasury	3.99%	4.28%
U.S. Large Co. Stocks	S&P 500	11.69%	26.29%
U.S. Small Co. Stocks	Russell 2000	14.03%	16.93%
International Stocks	MSCI EAFE (net div.)	10.42%	18.24%
Real Estate	DJ Select Real Estate Securities Total Return	16.35%	13.96%
Source: Morningstar			

U.S. Economic Data	
GDP	4.9% increase (annual rate) – 3rd Quarter 2023
Inflation	3.9% CPI (less food and energy) and 3.4% CPI (all items) over last 12-months ending December (Energy index down 2.0%; Food index up 2.7%).
Interest rates	Federal Funds Rate range = 5.25% - 5.50%. No further increases expected. Rate cut(s) possible later in 2024.
Jobs	December 2023 data - Unemployment at 3.7%; non-farm payroll employment rose by 216,000 jobs; Labor force participation rate 62.5%; Employment continued to trend up in government, health care, social assistance, and construction.
Manufacturing	Economic activity in the manufacturing sector contracted for the 14th consecutive month following a 28th month period of growth; December ISM Manufacturing Index registered at 47.4%. Demand remained soft and production execution was stable as companies continued to manage outputs, material inputs, and labor costs.
Business Spending	Private non-residential investment continued to climb higher (24.63% increase since Jan 2021); New durable goods orders increased by 5.4% in November (up two of the last three months).
Corporate Profits	3rd Quarter 2023 - U.S. corporate profits increased 3.4%. S&P 500 Earnings per share = $52.25 (one-year increase of 3.77%).
Housing	November 2023 year-over year data - New home sales up 1.4%; Existing home sales declined 7.3%; Median sales price of existing homes increased 4.0% to $387,600; Housing starts rose 9.3%; Building permits increased 4.1%; Housing inventory was up 0.9% from last year; Unsold inventory = 3.3 month supply; MBA fixed 30-yr mortgage rates = 6.83% ending 12/20/2023.
Consumer Spending	Disposable income remained flat; Consumer Confidence Index increased; Retail and food services sales increased; Total vehicle sales were subdued; Personal durable and nondurable spending remained elevated; Personal savings rate increased slightly to 4.1% .
Energy	Oil price (West Texas Intermediate) = $71.89/bbl - 12/23/2023 (2023 decrease of 10.23%); Gas price (U.S. average regular unleaded) = $3.116/gal - 12/25/2023 (2023 increase of 0.81%)