

# SUMMIT PERSPECTIVE

## A CHANGE IN THE WEATHER

By Steve Wilcox

As we move from summer to fall, thoughts often turn to the weather. In Northern California the weather report can be somewhat boring for much of the year! Sunshine, cooler on the coast, warmer inland ... rinse ... repeat. As fall arrives the nights turn cooler, there could be rain, or we could have a heat wave again. People turn to the weather report to see how to prepare. In the financial world, people are continuously seeking predictions, and we spend a lot of time reminding them we do not possess a crystal ball. But as we head into the final quarter of 2023, we thought we would take stock of the current landscape and do a little forecasting (while avoiding predictions). Weather forecasts are created in part using data from historical patterns, and it is appropriate to start our financial forecast with a summary of our recent past.

Though we wish it were a distant memory, the coronavirus pandemic still influences our current patterns. When the United States started to see the rapid spread of the virus in the spring of 2020, the government was quick to act with a significant amount of stimulus to support the economy. The response was unprecedented, as approximately \$1.8 trillion was sent directly to individuals and families by way of unemployment and stimulus checks. Businesses were sent \$1.7 trillion in an effort to keep people employed, and state and local governments were sent approximately \$745 billion.<sup>1</sup> This spending combined with the CARES Act, the Infrastructure Bill in 2021, and the Inflation Act in 2022, illustrates the colossal amount of money injected into our financial system. To pour fuel on the fire, supply chains faltered due to lockdowns, and Russia invaded Ukraine in the spring of 2022.



This combination of events triggered a phenomenon that had not been seen in the United States for decades – rapid inflation! For the better part of the last 30 years inflation was below 3%. In 2021, the consumer price index (CPI) rose to 4.7%, and in 2022 it touched 8% before retreating.<sup>2</sup> It is often said that inflation is a tax on everyone, as the goods and services that we need rise significantly in price, often outpacing the increase in wages. Those with a memory of the late '70s know all too well how damaging runaway inflation can be, as do the leaders at the Federal Reserve.

The Fed is charged with keeping inflation in check and keeping unemployment under control. Since unemployment receded after the pandemic, the Fed leaned into its primary mandate and cranked up interest rates to slow the inflation train.

Beginning in March of 2022, and continuing through July of 2023, the Federal Reserve raised short-term rates 11 times, taking it from effectively 0 to 5.5%! This was a major shock to financial markets, affecting the price of stock, bonds, mortgages, and many other asset classes. The stimulus-fueled rally of 2021 gave way to the bear market of 2022, with the S&P 500 down as much as -26% and the normally steady Bloomberg US Aggregate Bond Index losing more than -16% during the same timeframe. Clearly the market received the message from the Federal Reserve, and it chilled accordingly.

In the aftermath, people are wondering how the Fed performed in this critical moment.

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**SUMMIT**  
FINANCIAL GROUP, LLC

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*A change in the weather is sufficient to recreate the world and ourselves.*

**– Marcel Proust**

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# KUDOS!

## Summit Spirit Award:

### Nancy & CityTeam Oakland

Each quarter, Summit recognizes one team member who receives kudos from their peers and managers for going the extra mile. The winner receives \$1,000 to donate to the charity of his or her choice. Congratulations to Executive Assistant, Nancy McMillin as the recipient of this quarter's Summit Spirit award!

*Nancy:* I am donating my Summit Spirit Award to CityTeam Oakland.

CityTeam provides hope to those struggling with poverty, addiction, and homelessness. Their mission is to restore lives and rebuild communities through innovative programs that provide food, shelter, clothing, training, and spiritual transformation. In addition, they provide bridge housing to young adults exiting the foster care program who are homeless or at risk of being homeless. In all their programs, CityTeam maintains a focus on economic empowerment by providing education, training, and certification programs to help people attain living-wage jobs, stable housing, and financial stability.

I first learned about CityTeam Oakland through my involvement in the Blue Oaks Church Compassion Ministry. One of our middle school students started a monthly program to pack lunches for men in the recovery program. For over 7 years, Blue Oaks has been providing meals to those in need and has provided opportunities for children as young as 8 years old to serve their community. I love partnering with CityTeam knowing they help people break free from addiction and empower them to give back and grow by doing the same for others.

*For additional information about CityTeam Oakland visit: <https://cityteam.org/oakland/>*

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# SUMMIT UNIVERSITY

*Upcoming Courses and Workshops ...*



There's still time to sign up for our fall retirement seminars!

## RETIREMENT PLANNING TODAY

Whether you plan to retire 20 years from now or have just recently retired, the information you'll learn in this class can deliver rewards throughout

your lifetime. During this two-evening workshop, you will learn how to create an informed plan and set goals for a successful retirement.

## SECOND SATURDAY DIVORCE WORKSHOP

Are you considering divorce, or in the midst of a divorce? As you contemplate your next steps and possibly plan your next chapter, it is important to



have the tools needed to evaluate the impact divorce can have on your personal and financial life.

This workshop run by an attorney, a therapist, and a financial advisor will touch on the legal, emotional, and financial topics involved with divorce. Discussions will include issues and challenges that everyone considering or going through a divorce should understand. Come educate yourself and explore various options available to you as you work toward building a strategy for future emotional and financial success.

*Learn more and register for classes through the Summit University page on our website:*

[summitadvisors.com/education/university/](https://summitadvisors.com/education/university/)

*OR call 925-866-7800.*





# COMMUNITY CORNER

# THE MOUNT DIABLO CHALLENGE



On Sunday, October 1, Summit Advisor Connor Merrigan rose before dawn to attend an event he has spent months preparing for: The Mount Diablo Challenge. During this 11.2-mile cycling event, riders climb a grueling 3,249 feet to the summit of Mt. Diablo, one of the highest peaks in the San Francisco Bay Area. The primary goal of the race is to raise money to improve bicycle safety on the mountain. The more than 1,000 cycling enthusiasts of all ages who participate are rewarded at the summit with unparalleled views of the Farallon Islands and the Sierras.



The race began 40 years ago in remembrance of Joan Walt, who loved riding up Mt. Diablo several times a week. She succumbed to a heart ailment at age 26, and her family asked Bay Area cycling club, the **Valley Spokesmen**, to create the Mt. Diablo Challenge in her honor.

Throughout the years the event has raised funds for several causes including The American Heart Association, Children's Hospital Oakland, and Save Mount Diablo, a conservation organization.

Then, in 2021, a beloved cyclist named Joe Shami was struck by a vehicle in a roundabout and died of his injuries. Just before the tragedy, the 86-year-old was close to reaching 100,000 cumulative miles on his bike, riding Mt. Diablo weekly for 615 consecutive weeks! Consequently, the 2021 the Mount Diablo Challenge was held in Joe's honor, and a portion of the proceeds have focused on improving bike safety on Mount Diablo since.

Connor, Summit's resident cycling enthusiast, was inspired by the mission and the mountain and became both a sponsor and

participant in the annual event. He is passionate about his community and the connection between health and wealth, so it was a natural fit. "Not only is being healthy and working out directly related to a better future lifestyle, but a lot of the habits learned from having fitness goals directly relate to the necessary habits of a diligent investor and planner," said Connor. "Just as it takes discipline to be a diligent saver, it takes discipline to prepare for a race. I was up early, three days a week for months riding solo up and down Mt. Diablo. Training is difficult, but without it there would be no way I could have completed my goal of reaching the summit."

Connor said the day couldn't have been more perfect. The weather was at its autumn best and riders were greeted with incredible views of the Bay Area at the peak. Once safely down the mountain, Connor was joined by fellow advisor Steve Wilcox. The two manned a booth at the event's post-race festival. "It felt amazing to accomplish my goal, support a great cause, and interact with members of our community," said Connor. "The best part of the day was getting to know people and having the opportunity to share Summit's financial planning philosophy."



The race is expected to raise more than \$10,000, which will be used in part to fund measures to improve road safety and protect those making the trek up Mt. Diablo. As of October 2022, the California Department of Parks and Recreation has installed 30 new bike turnouts at Mount Diablo State Park.



## SAVE THE DATE!

Join us for our 12th Annual Summit Symposium. Prepare to be educated, entertained, and inspired!

**When:** Saturday, February 24, 2024

**Where:** Casa Real at Ruby Hill Winery

## SUMMIT TRIVIA CHALLENGE



The answer to this quarter's question can be found on the Summit Facebook page [facebook.com/summitfinancialgroup/](https://www.facebook.com/summitfinancialgroup/). Each person submitting the correct response will be entered to win a \$25 Starbucks gift card.

**Ready? Here it is ...**

**What summer event did our team attend in August?**

Know the answer?

Email it to [angela@summitadvisors.com](mailto:angela@summitadvisors.com) by November 10.

The Trivia Challenge winner will be notified via email.

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# A CHANGE IN THE WEATHER

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The question on the minds of economists is whether the Fed will tip the U.S. into a recession, or whether it has engineered a “soft landing”. Currently, many economists (including those at Goldman Sachs and JP Morgan) think recession can be avoided even though the economy is slowing. Others feel that a mild recession is likely given how fast the Fed applied the brakes.

Through August of 2023, the economic data remained resilient with unemployment low, GDP growing, and consumer spending increasing. However, housing affordability, a shrinking household savings rate, and rising credit card balances all point to possible trouble ahead for the consumer. Combine that with government deficits rising as interest costs balloon the national debt, and you can find as many reasons to worry as to be optimistic. In the end, it is fair to say that the Fed’s grade is still an incomplete, with more assignments to be graded.

What about that forecast? In true weather forecaster fashion, the hedged answer is “partly cloudy with sun and possible showers”. The Fed is telling anyone that will listen that interest rates will stay higher for longer, and the markets are digesting the new normal. While recency bias causes people to feel that interest rates are currently high, they are in fact closer to normal than the incredibly low rates we enjoyed for the last 15 years. They are certainly nowhere near the inflation-busting rates of the early 1980s!

While borrowing costs are higher, savers may now earn more in interest on their deposits, and bondholders receive a more competitive yield on their investments as well. Stocks still stand to perform the best over time, but volatility is always the price of admission for higher returns. Emerging technologies and innovation remain the hallmark of the American economy, and the best and brightest of companies harness that innovation and turn it into products and solutions that change our world. These products and services translate into earnings which are eventually reflected in stock prices and dividends. While recessions might impact markets for the short term, the great

companies in our economy have always weathered those storms and have grown at a rate substantially above the cost of living.

What should an investor do when considering a partly cloudy forecast? Dress in layers! In concert with your financial advisor, build layers into your portfolio that can carry you through sunny days or stormy weather. Keep enough money in cash or money markets for upcoming living expenses (You may earn meaningful interest now!). Consider some bond exposure now that yields have risen and interest rates are less likely to rise at the rate of their recent past. Maintain a diversified equity portfolio to participate when the best companies grow their earnings and profits and translate that into higher dividends and stock prices. Equities will be your best hedge against inflation over the long run ... and you simply cannot know when the best days are going to occur. By maintaining a disciplined and diversified approach to the markets, you don’t have to worry about whether today is going to be sunny or blustery.

In Northern California, we watch the weather and hope for snow in the mountains, enough rain for the valleys, and plenty of beautiful days to remind us of why we live here. Regardless of storms or drought, it is still a fantastic place to live – much in the way investing in the American economy is still a great bet regardless of recessions or soft landings. We will be watching the weather for you and making sure your financial plan is prepared with both rain boots and sunscreen!

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<sup>1</sup> Covid Spending, New York Times, March 11th, 2022.

<sup>2</sup> CPI, Inflation, Macrotrends.net

Opinions expressed in the attached article are those of the author and are not necessarily those of Raymond James. All opinions are as of this date and are subject to change without notice. Every investor’s situation is unique and you should consider your investment goals, risk tolerance and time horizon before making any investment. Prior to making an investment decision, please consult with your financial advisor about your individual situation.

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