



COMMENTARY

Market/Index	2020 Close	2021 Close	2022 Close	2022 Change	As of 12/31/23	2023 Change
DJIA	30,606.48	36,338.30	33,147.25	-8.78%	37,689.54	13.70%
NASDAQ	12,888.28	15,644.97	10,466.48	-33.10%	15,011.35	43.42%
S&P 500	3,756.07	4,766.18	3,839.50	-19.44%	4,769.83	24.23%
Prime Rate	3.25%	3.25%	7.50%	130.77%	8.50%	13.33%
10-year Treasury	0.93%	1.52%	3.88%	155.26%	3.88%	0.00%

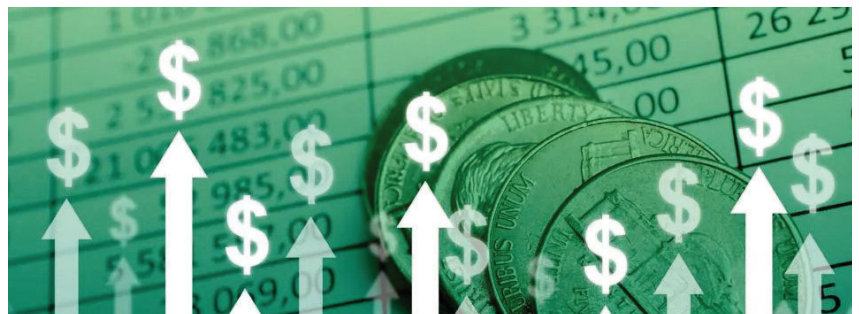
IN THIS ISSUE:

- 2023 - The Year the Experts Got it Wrong
- Good Things Happen Slowly
- What to Look for in 2023
- China's Real Estate Market
- The Election
- Taiwan



TEAM MEMBER SPOTLIGHT
Dawn Scholl,
Client Services

A friendly face and warm smile will greet you as you enter our office. Dawn is ready to welcome you and make you comfortable while you are here. In addition to offering hospitality, Dawn can connect you with your advisor and assist you with opening accounts or updating existing accounts as needed. Her years at Anchor have developed her gift of accommodating the client's needs and interests, and her background in graphic design has added value to our marketing design team.



2023 - The Year the Experts Got it Wrong

In November 2022, Vanguard Group released their investment and economic outlook for 2023. They expected the FED would raise rates to 4.5%, a recession would start in the first quarter of 2023, and GDP would grow a paltry 0.25% in 2023. They thought US Equities would grow 5.7%, with value stocks growing at 5.7% and growth stocks growing at 4.1%. This was the consensus on Wall Street. In actuality, the FED raised rates to 5.3%, we had a soft landing without a recession, GDP growth was 6%, The Dow Jones Industrial Average grew 13.7%, the S&P 500 Index grew 24.2% and the Nasdaq Composite Index grew an astounding 43.4%. The economy and the stock

market had a great year, and the experts completely missed it. Predicting the future has always been difficult because its unknowable, but if you look back at all the bad things that happened during the year, it is amazing they weren't correct. We had the second, third, and fourth largest bank failures of all time occur in March, as well as the failure of Credit Suisse during the same month. Hamas attacked Israel in October, upsetting relations in the Middle East and igniting social divisions throughout the world. Russia had a short-lived military mutiny, and the US political system is not behaving as it should. What happened to make the economy and the markets go up?

Good Things Happen Slowly

Greg Dunston, our Lead Research Analyst, has a saying that “Bad things happen quickly, while good things happen slowly.” No one notices the professional athlete getting better and better each month, yet we notice when they have a career ending injury. No one notices when gas prices fall 5 cents a month, but everybody notices when they double overnight. No one notices that heart disease has fallen by 1% a year for the past 70 years, and no one notices that the violent crime rate in the US has fallen by 50% in the last 30 years.

Progress is slow and steady, and it takes a lot of small, unremarkable things to happen for progress to occur. When Apple introduced the iPhone in January 2007, the stock price fell 10% over the next 4 weeks. If you had bought the stock and held it, you would be up 5,700%. During the last 17 years, Apple's stock price has decreased 47% of the days it was traded. In fact, there were 58 times when Apple's stock fell more than 5% in a single day. Yet no one noticed that it had risen an average of 0.12% each day for the last 4,265 trading days. These little things add up... slowly.

What to Look for in 2024

As we are writing this the economy is doing well; unemployment is at 3.7%, inflation is at 3.1%, housing starts are up 9.3%. We should have a good year in the markets, but we have our eyes on the following things for 2024:

The Election

The US Presidential Election will be unlike anything we have seen before. Trump will most likely win the Republican nomination but there will be tremendous legal battles to try to keep him off the ballot and out of office. It could come down to a last-minute Supreme Court decision that will decide if he is eligible to be elected. This uncertainty will cause a lot of volatility in the second half of the year. No matter who wins, expect legal battles to go on for months after the election. Please keep in mind that, historically speaking, it makes little difference in the markets if the President is a Republican or a Democrat. Going back to FDR in 1953, under Republican Presidents the S&P 500 averages a 7% annual return while under Democratic Presidents it averages a 9% return.

China's Real Estate Market

The real estate market in China is not doing well. After years of overbuilding, the housing market and the construction industry are in dire straits. If their banking system cannot withstand defaulting loans and the economy cannot absorb unemployed construction workers, it could be problematic for Chinese markets and the world as a whole.

Taiwan

It is becoming apparent that Artificial Intelligence (AI) will transform the world in almost every way imaginable. Whomever wins the AI race will dominate the world economically and militarily for decades. With this in mind, every country on earth has tremendous incentives to gain a competitive advantage in the development of AI systems, and Taiwan controls the development of the hardware to process AI.

Taiwan produces over 60% of the world's semiconductors and over 90% of the most advanced chips. Most are manufactured by a single company, Taiwan Semiconductor Manufacturing Corporation (TSMC). China, who has an aging population and a potential economic meltdown on its hands, has tremendous incentives to seize control of the island and instantly gain control of the global development of AI systems and the ability of other nations to make computers of any kind.

The semiconductor industry is called Taiwan's "silicon shield", giving the world a big reason to defend the island. But with wars in Ukraine and Israel, and with the US political system in such a mess, 2024 may be the year that China decides to see what they can get away with.

At Anchor our mission is to keep your best interests in mind as we follow trends and events which can impact the economy and your investments. Declines in the market will occur and often present opportunities to invest in companies while they are on sale. Long term investment success depends on making a plan and acting continuously on that plan. If you have any concerns about the year ahead let's review your goals and make sure that your investments are synchronized with that goal.

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