

# A 2023 Outlook

It Will Be Better Than It Looks

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As we close out this year and look ahead to 2023, multiple questions may arise. As citizens, as workers, and as family members, we want to know: will we have a recession, and what will that mean for my loved ones and me? As investors, we watch the markets after a difficult 2022 and want to know: will we see a rebound or more declines? Overall, with everything that is happening, we wonder whether we might get something even worse, like a repeat of the Great Financial Crisis of 2008. Worry levels are high, and that is coloring everyone's perception of the year ahead.

In some ways, this concern is warranted. Looking back at 2022, we have seen China struggle with the economic impact of the Covid-19 pandemic. We have seen crypto companies in the U.S. implode. We have seen the Russia-Ukraine war continue. And, of course, we have seen inflation reach 40-year highs as both stocks and bonds moved into bear markets. We know the risks are real.

When we look at the fundamentals for both the economy and the markets, however, things aren't nearly as bad as headlines suggest. While we do face risks, the fundamentals are much stronger now than they were at the start of 2022. That should limit the risks and provide more opportunity in 2023.



## The Economy

Headlines about the economy mostly revolve around inflation and the Federal Reserve (Fed), which continues to raise interest rates as we end the year. As a result of both of these factors, we can expect substantial economic slowing. Indeed, this is already apparent, especially in housing. Because the economic effects of interest rate hikes can take a year or more to show up in the economy, a recession is very possible next year if the impacts become severe enough. If we do get a recession in 2023, the good news is it's likely to be mild and short lived.

Sources: Federal Reserve, The Conference Board, FactSet, Bloomberg



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