
June 30, 2023

What? 2023 is Half Over...

Surprising many investors, the first half of 2023 saw resilience in the U.S. economy, led by strong consumer spending and reasonably strong corporate earnings. Europe's growth remains weak, but China having opened after draconian COVID lockdowns is rebounding some. Our view is that a recession still seems unavoidable later this year or next. The rest of this year will still revolve around Fed rate policy, inflation expectations and M2 monetary measures, geopolitical risks, technological developments in artificial intelligence and biotechnology, as well as the ever-present political cycle.

Global Economic Recovery vs Recession

The global economy is still trying to recover from the impact of the COVID-19 pandemic. Governments and central banks around the world implemented massive stimulative policies to spur growth and artificially support businesses and individuals. While such stimulus is still in the system, the Fed abandoned its "inflation is transitory" narrative and has reversed course with the fastest/steepest interest rate hike in Federal Reserve history. Many people believe that you must choose between higher growth with inflation pressure OR stable prices, lower growth, and higher unemployment. But I think history has shown that you can have robust, organic growth along with lower or even deflationary pressures. And on the flip side, history shows that you can have stagnation accompanied by much higher prices (inflation). It seems most likely that we'll have this last scenario for now.

Inflation and Monetary Policy

Inflation has obviously been a key concern for over two years now but, thankfully, it has moderated some in recent months. Rising input costs, supply chain disruptions, and increased consumer spending get blamed for higher prices but as we've demonstrated, inflation is caused by money creation without commensurate productivity/real wealth increases. When there is excess money supply without more actual wealth produced, it results in generally higher prices, so we've got a ways to go before all the excess liquidity is absorbed by higher productivity. Many investors think the Fed is nearly done with rate hikes and therefore will not induce a recession, that they have threaded the needle of monetary policy to...

Quote of the Day:

"It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest."
"He is led by an invisible hand to promote an end which was no part of his intention."

– Adam Smith

UPCOMING ALTIUS EVENTS

July 19th – ALTIUS Client Appreciation Event at Bigsby Folly

September 27th – Q3 Workshop (In-Person)

TAKE A LOOK INSIDE

What? 2023 is Half Over...

Update on TD Ameritrade/Schwab Transition

Taylor's Take: What Should I Do with My Cash?

ALTIUS Client Appreciation Event

Happy Birthday Adam Smith!

Happy Independence Day!

What? 2023 is Half Over... (continued)

be tight enough to bring inflation back down to their 2.0% target but not so tight that we experience an economic contraction. As indicated above, we're skeptical and are still concerned about recession.

Geopolitical Developments

Geopolitical tensions and trade disputes continue to shape the economic landscape. Ongoing discussions surrounding international trade agreements, tariffs, and regional conflicts can have significant effects on global markets. It is crucial to stay aware of geopolitical developments and assess potential risks such as the war in Ukraine and the de-globalization occurring since COVID.

Even as I write this, we are seeing a bizarre development in Russia - their private mercenary army, the Wagner Group, has been very critical of how Putin and his generals have executed the war, and even turning their guns toward Moscow itself with many analysts calling it a potential civil war inside Russia. Then, suddenly, a deal was cut with the head of Wagner, Yevgeny Prigozhin, likely due to the rest of Russian army not showing enough support for him. With Ukrainian forces making their own counteroffensive, the coming weeks may be very tense. Prigozhin and Putin are both thugs and it's tragic that the Russian people have this ideology and culture of authoritarianism. These developments, along with tensions with China over Taiwan, could easily spill over and cause more volatility in the financial markets but, as always, opportunities may present themselves to improve our portfolio positioning and certainly there are many international business operations strengthening their positions.

Technology and Digital Transformation

The rapid advancement of technology, especially now with artificial intelligence applications as a reality, continues to disrupt industries and drive innovation. Digital transformation has become even more crucial as businesses adapt to changing consumer behavior and remote work environments. This area of the market has probably done more to buoy the hopes of investors wanting to avoid a more serious correction. It's hard to say if such enthusiasm for one sector, though obviously far-reaching and impacting every sector, can keep us out of a correction. In the meantime, we are excited about the possibilities and will look to be opportunistic.

Environmental, Social, and Governance (ESG) Considerations

ESG factors have gained significant prominence in the business and investment world. Sustainable practices, social responsibility, and good governance are now key marketing considerations for investors and customers alike and while many of the goals of this trend are laudable, one must continue to cast a critical eye about the means and the politicization effects. My view is that most Americans, counter to the click-bait and outrage media machines we call "news", take a rational view of these issues, recognizing the need for better ways of doing things but also understanding that voluntary markets are often the most effective method of getting there.

Diversification and Risk Management

Given the dynamic nature of the current economic environment, diversification and risk management remain vital. A well-diversified portfolio, spanning different asset classes and geographic regions, can help mitigate risk and improve overall investment performance. Regularly reviewing your investment strategy and consulting with us during strategy sessions can ensure that your portfolio aligns with your risk tolerance and financial goals.

UPDATE ON TD AMERITRADE/SCHWAB TRANSITION

Reminder: the TD Ameritrade/Schwab transition will occur on Labor Day weekend (Sept 1-4, 2023)

In 2020, we notified you that TD Ameritrade was acquired by Charles Schwab. The full integration has been slowly happening over the last three years and fully combined operations will officially occur this upcoming Labor Day Weekend. Our ALTIUS team is staying on top of the timeline, updates, and training from TD Ameritrade/Schwab. Throughout this summer, we will provide updates to ALTIUS clients through the newsletter, phone calls, and emails around the upcoming transition. And our next workshop on September 27th will provide more information and training after the transition to Schwab is complete. If you have any general questions or concerns, feel free to reach out to us. We want to make sure our clients feel informed and prepared for the move to Schwab.

In an effort to make sure the account transition from TD Ameritrade to Schwab is as smooth as possible, please reach out to Jenn so we can ensure everything is up to date and correct with your TD Ameritrade accounts before the transition. You can still go to www.AdvisorClient.com to update several things like the address and statement delivery (if you need a User ID set up, or password reset, ALTIUS can help with that). What you are unable to complete yourself, Jenn can send you DocuSign Paperwork that goes directly to TD Ameritrade after you verify your identity and digitally sign. This applies for:

- Updates/Changes to Physical and/or Mailing Address(es)
- Updates/Changes to Beneficiaries
- Opening Non-Qualified or Retirement Accounts
- Initiating a Transfer
- Setting Up Banking Permissions
- Setting Up Internal Permissions with your TD Ameritrade Accounts

To confirm that any or all of the items above get completed efficiently, we ask for your help to get this done. If it is more convenient for you to email Jenn, please reach out to her at jennifer@altiusfinancial.com

Taylor's Take: What Should I Do with My Cash?



We are all aware that interest rates are rising and many of our clients have been asking what to do with their cash reserves. Since we take a personalized approach to each client, our answer is: it depends. Your risk tolerance, stability of income, life goals, priorities, passions, time, etc. all weigh into how much actual cash to keep on hand vs how much to keep in checking/savings at your local bank vs how much to invest in cash equivalents like money market funds, certificates of deposit (CDs), treasury bills, etc. The key takeaways regarding cash and some of the questions we have received:

How much actual cash should I keep on hand vs money in my local checking/savings accounts?

Again, this is a very personal decision. We recommend our clients keep anywhere from \$1,000 to \$10,000 in actual cash. Of course, this depends on your perceptions of risk and need for immediate buying power as well as your ability to keep it safe and not spend it down. The idea is having some emergency money not dependent upon the electronic banking system of using credit/debit cards or check writing. Ten thousand is

Taylor's Take: What Should I Do with My Cash? (continued)

on the high end for most people and might reduce the amount you'd want to keep in your checking account. For anyone who contemplates that much physical currency, we'd probably recommend a discussion around precious metals and other potentially tradeable items.

There are many rules of thumb for how much to keep in your local bank reserves, often centered around a multiple of your monthly expenses. And this is a rational way to think about it – how many months could you last if there were some longer-term emergency, either personal or external? Usually, 6-9 months is plenty for most people. So, if your basic expenses are \$7,000/month then you should keep \$40-60k between actual cash and what you have in the bank. But many of our clients integrate this amount into the broader portfolio we manage for them. Rather than having that much in the bank, they'll have us keep track of their expenses and manage the portfolio and replenish their reserves as needed. Again, we stress the "sleep at night" factor – the tradeoff of having security vs potential growth on your assets has got to feel right for you.

Is now a good time for I-Bonds?

While we were advocating everyone investigate it last year, we aren't advising I-Bonds at this time given their current rate of return compared to other investments. Last year seemed sort of an anomaly, given the spike up in inflation and how I-Bonds are structured but the time commitment for I-Bonds is much longer term. This doesn't mean that you should go sell your current I-Bonds, but rather hold off on buying more.

What about CDs and Money Market Funds? Can ALTIUS help me purchase these?

Short term CDs are currently having higher returns than long term CDs (due to that inverted yield curve Mike has written about) and these are presenting a good opportunity for a fixed return on dollars that you'd like to keep conservatively invested. ALTIUS can invest directly in your portfolio and price out a wide range of FDIC guaranteed CDs (and other fixed income instruments) from banks across the country. Let us know if this is something you would specifically like added to your portfolio otherwise, we will continue investing as we see fit based on your overall plan.

Money Market Mutual Funds are not FDIC guaranteed but often use substantially the same underlying investments and can therefore be a reasonable alternative to holding cash in the bank. The industry tries to keep these vehicles at a stable par value, though there is no government guarantee.

What about inflation? Are we beating inflation with CD investments?

With last year's 9% inflation rate, it was difficult but with headline CPI (Consumer Price Index) recently moderating to ~5%, we are seeing CDs that can compete. Of course, there is far more than just fixed income that we can and do advise investing in, but how you manage your expenses and shorter-term reserves is an important part of a comprehensive, long-term, and time-tested financial plan. If you are interested in learned more about our overall ALTIUS investment philosophy I would advise checking out Our Investment Strategy on our ALTIUS Financial Website.

**ALTIUS Client
Appreciation Event
July 19 4:30-7:30pm
Bigsby Folly Winery**

We are fortunate to have the best clients in Denver and across the country and we are committed to showing our appreciation for the relationship we are grateful to have with each of you. Join us at Bigsby Folly Winery in Denver for a wine tasting experience, light hors d'oeuvres, and great conversation! Spots are limited so RSVP to jennifer@altiusfinancial.com if you plan to attend. We can't wait to see you there!

Happy Birthday Adam Smith!

This is the time of year that I would normally be saying "happy birthday, America" and urging everyone to stop and re-read their Declaration and, for the more ambitious, crack open the Federalist Papers. I thought it'd also be worth recognizing and celebrating another person and his monumental contribution to humanity: Adam Smith. Smith was born 300 years ago this month and while most people think of him as the father of economics, his contribution to moral philosophy may be just as important.

He published *The Wealth of Nations* in the same year (1776) we declared independence from England and he, unlike many of his fellow Brits/Scots, was cheering for our fledgling republic, based upon shared moral sentiments that all people should be treated equally before the law and that they should be secure in their person and property.

I had the opportunity several years ago to visit Scotland and there's a fascinating story of how [the prominent bronze statue with Smith](#) standing on a massive stone plinth came to be on the Royal Mile, the street linking the castle with the royal palace, in Edinburgh. Years later I had the honor of meeting and interviewing, Dr. Eamonn Butler, the director of the Adam Smith Institute and a prominent economist in his own right. So much of human progress and flourishing is due to these fundamental ideas of economic and political freedom, not to mention Smith's development of the division of labor and comparative advantages. We all have so very many more opportunities given that we can specialize based upon our own passions and gifts.



Happy Independence Day!



As we celebrate this joyous Independence Day, we wanted to take a moment to express our heartfelt gratitude to each one of you. We not only commemorate the birth of our nation but, more importantly, we cherish and enjoy our freedoms and opportunities it has bestowed upon us. Just like our country's independence, financial independence is a journey that requires dedication, perseverance, and strategic planning. You, our clients, are unique and we're hoping you appreciate our personability, our family culture, our experience, and our solid track record. We are honored to be your trusted partner on this path, guiding you towards achieving your financial goals and realizing your dreams. Enjoy your Independence!

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