

House View Summary

Global economy

- We are approaching the latter innings of coordinated global central bank hiking. As a result, most major central banks are expected to slow or stop rate hikes during the first half of 2023.
- US growth continues to moderate but remains at or above the long-term trend. US inflation has stabilized but remains above the Fed's long-term target.
- The Fed would like to pause and allow the “long and variable lags” of monetary policy to work through the economy. Fed policy is tighter than it has been since 2008 and interest rate-sensitive sectors of the economy have been hit hard.
- [Europe appears headed for stagflation](#) (elevated inflation and recession) and the energy supply remains a risk through the winter. European electricity prices have begun to spike as cold weather sets in.
- In the face of public protests and deteriorating investor confidence, China has begun to loosen zero-COVID policies.

Market perspective

- The Fed will likely hike [until short-term interest rates are at or near 5%](#). Further hikes or cuts will be data-dependent.
- We believe long-term interest rates are now more likely to fall than rise. Fed policy will remain appropriately restrictive and a growth slowdown or recession remains likely for 2023. Investors hiding in cash should consider extending the duration to lock in higher interest rates before the opportunity has passed.
- We maintain tactical positions in high yield corporate and high yield municipal bonds.
- Rising interest rates were the main catalyst for US equity losses in 2022. Equity markets have not priced [negative earnings revisions](#) into the market and further near-term downside remains possible if

earnings are revised down significantly. Despite (or because of) near-term uncertainty, [forward-looking equity returns](#) have risen to multiyear highs.

- European equities [currently trade at a historically large discount](#) to US equities, but the overhang of geopolitical risk prevents us from tactically overweighting European equities at the current time.
- We expect broad commodity prices to continue declining as global economic growth slows.
- The housing market, an important leading indicator for the US economy, [has slowed considerably](#).

Portfolio positioning

- We are neutral duration in our taxable and tax-exempt fixed income portfolios.
- We are overweight high yield municipal bonds in our tax-exempt FI portfolios and high yield corporate bonds in our taxable FI portfolios.
- Within equities, we are overweight US equities, value equities, and [low-volatility equities](#).
- We are overweight private debt and absolute return hedge funds versus fixed income.
- We recommend allocating a portion of equity exposure to [private equity](#).

Risks we're watching

- Additional geopolitical risk spilling out of China or Russia
- US inflation that reaccelerates and requires a resumption of the hiking cycle
- A significant 2023 corporate earnings recession
- Signs that 2023 job losses will push the 2023 unemployment rate above 4.6%, leading to an economic and earnings recession

Please click any link to access additional information and insights.

Tax Planning Considerations

Please refer to this table for tax planning thresholds for 2023. We encourage you to consult with your investment officer to discuss how these new thresholds relate specifically to you and your family.

Important Tax Planning Thresholds (2023 vs. 2022)		
Retirement	2023	2022
401(k), 403(b), 457 limits	\$22,500	\$20,500
Catch-up contributions (age 50+)	\$7,500	\$6,500
IRA contribution	\$6,500	\$6,000
IRA catch-up contribution	\$1,000	\$1,000
Limit on annual additions to Defined Contribution plan (for example, SEP IRA)	\$66,000	\$61,000
Limit on annual additions to Defined Benefit plan	\$265,000	\$245,000
Estate and gift tax	2022	2021
Annual gift exclusion	\$17,000	\$16,000
Estate and GST exemption amount	\$12,920,000	\$12,060,000

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