

## ECONOMIC OUTLOOK

### THE DOG THAT DIDN'T BARK ... YET

Sherlock Holmes fans may remember the mystery of Silver Blaze, the famous horse that went missing the night before an important race. (Spoiler alert!) A vital clue to solving the mystery was that the dog guarding the horse did not bark when the horse was stolen. This led the famous detective to deduce that the thief who stole the horse knew the dog well.

After the Federal Reserve raised short-term interest rates from 0.25% at the beginning of last year to 5.50% today, the economy still has not “barked.” It continues to move along with low unemployment, eight million job openings and annualized quarter-over-quarter economic growth of 2.1% in the second quarter of 2023.

If we listen closely, there may be some faint barking in the distance, warning of economic challenges ahead. Credit conditions are tightening, making it more difficult for borrowers to get loans. Consumers are more marginalized, and both their savings and rates of saving have declined. China's economy is struggling, impeding its status as the manufacturer for the world. Inflation, it appears, may remain above the Fed's 2% target for some time. Higher mortgage rates are bound to impact the housing market at some point, and the stock market seems to have turned a blind eye to the consequences of higher interest rates in many pockets of the economy. In all, I have a list of 20 themes that don't seem quite right.

While we look to these themes as a way of guiding long-term perspectives about the economy, markets and portfolio allocations, they are dismal at predicting or timing near-term turning points. In my nearly 40 years in this business, this is the one topic that has frustrated investment management clients the most. They hire an investment professional, and that professional doesn't know when to sell everything and get out of a falling market.

We may hear about the one correct call from some big-name forecaster, and how they made themselves millions, but we never hear about that same forecaster doing it over and over again. Why? Because it is not possible to accurately and repeatedly predict future results. It's like a gambler telling us he won big at the tables last night, while leaving out all the losses that occurred before. Las Vegas was not built by gamblers taking in more money than the house.

So, what do investment professionals do if they can't dodge market sell-offs? Among other things, they manage and advise about investment portfolios, assets and financial strategies on behalf of clients. Those responsibilities include research, asset allocation, portfolio management, risk management, planning, monitoring, compliance and education. Ultimately, our aim is to deliver on each client's goals and objectives over the long term. Investment professionals also perform a bit of a behavioral psychologist role when market volatility presents itself, helping clients look through the instability during uncertain times – and trying to deduce the meaning of markets that bark ... or don't.

We appreciate your business and confidence in Bell!



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SVP/Chief Investment Officer

**Tenure:** 1992

**Investment Experience:**  
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in business, University of  
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