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➔ Fed Update

Eric Krueger, Synovus Trust Senior Portfolio Manager

It is time once again to delve into a recent Federal Reserve decision and its implications for markets. The Fed has been at the center of attention this year due to its focus on "data dependence," which has led the markets to react to every key inflation and labor release. In its most recent decision, the Fed opted to keep rates unchanged but changed its tone on the outlook, a move commonly referred to as the "Fed Pivot." Both the Dot Plot and Q&A session were more dovish than anticipated by the market.

FOMC Meeting and Press Conference

The Fed has raised rates over the past 18 months to 5.25-5.50% to curb inflation and prevent it from spiraling out of control. Per Federal Reserve Chair Jerome Powell's script from the press conference at the December 13 Federal Open Market Committee (FOMC) meeting: "Inflation has eased from its highs, and this has come without a significant increase in unemployment. That is very good news. But inflation is still too high, ongoing progress in bringing it down is not assured, and the path forward is uncertain. As we look ahead to next year, I want to assure the American people that we are fully committed to returning inflation to our 2 percent goal. Restoring price stability is essential to achieve a sustained period of strong labor market conditions that benefit all."¹

During the Q&A he answered a question about whether the Fed was done with hikes. He responded: "So we added the word "any" as an acknowledgement that we believe that we are likely at or near the peak rate for this cycle."²

This, of course, led the market on a huge rally, both in equities and fixed income.

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➔ A Crowded Cash Trade Misses 2023

Chris Brown, CIMA®, CRPC™
Vice President — Investments

Cash savers have been rewarded throughout 2023. Interest rates jumped for money market savings accounts, certificates of deposits (CDs), and U.S. Treasury Bills (T-Bills). As indicated in my March 2023 Synovus Market Update, a regional banking storm hovering over the markets created an unlikely positive result for personal and business clients who received a crash course in the availability of higher interest rates in short-term cash alternative investments and unlimited cash coverage provided by U.S. government treasury bills. Wealthy individual savers and businesses with large cash reserves, of a million dollars or more, were able to make north of \$4,000 a month in interest income. This strategy will continue to be an advantageous strategy for savers and investors with near-term liquidity needs for 2024. Conversely, the alluring interest rate environment of a "5% sure thing" has also been a detriment for nervous investors who have become wary of "recession ahead" sound bites and the wall of worry that plagued many investors in 2022 and early 2023. This pervasive bear mentality led many investors to utilize this attractive short-term investment strategy with their long-term investment capital. As a result, many investors missed out on one of the largest bull market snap backs since the March 2020 COVID-19 lows. The S&P 500 returned 24% and the Nasdaq100 (QQQ) had recently made a new all-time high, returning above 55% for calendar year 2023.

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➔ Currency Outlook Fourth Quarter 2023

David J. Grimaldi™, Foreign Exchange Sales Consultant

In December, Chair of the Federal Reserve Jerome Powell announced three rate cuts for the U.S. in 2024. The Santa rally took equity indices to new highs, and the dollar weakened broadly across the board. The U.S. outperformed this year and the recession in late 2023 never arrived like many predicted. Dollar strength continued as a result as investment flowed into the states and the dollar demand was strong to purchase U.S. assets.

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➔ Tech Corner: 2024 Outlook - Top Five Major Themes

Daniel Morgan, Synovus Trust Senior Portfolio Manager

Generative AI Use Sparks Server Recovery

In 2024, expect some Generative AI workloads to shift to on-premises environments, particularly for inference. This might sound counterintuitive as workloads have been moving in the other direction for the past 15 years to datacenter IaaS cloud service providers like AWS, Azure and GCP.

★ [Read the full article.](#)

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*Past Economic Insights newsletters are available at: <https://www.synovus.com/personal/plan-and-invest/economic-insights/>

¹ [federalreserve.gov/mediacenter/files/FOMCpresconf20231213.pdf](https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20231213.pdf)

² [federalreserve.gov/mediacenter/files/FOMCpresconf20231213.pdf](https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20231213.pdf)

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