



Expectations were low, if not pessimistic, but the first half of 2023 beat almost all economic and market expectations. Corporate earnings beat, hiring was strong, the economy grew, and all market indices were higher. Is the Fed engineering a soft landing? Longer term rates have started to pull back, but even with the June pause the Fed is most likely to raise short term rates two more times by year end.

There is plenty of fear that the big “R,” recession, is looming in the coming months. A technical recession is two consecutive quarters of negative GDP, Q1 was positive by 1.3% and the Fed and others are anticipating full year GDP at 1-2%. Weak yes, but not in the recession territory. The recent banking issues and higher consumer rates will have an effect on the economy in the next six to twelve months, but will it be enough to push us to a recession? We will be watching Q4, 2023 and Q1 2024 closely.

Inflation is starting to moderate. The expectations are that it will be between 3-4% at year end. A far cry from the 9% inflation we saw in 2022. However, for all of us, that still means higher prices, not lower. The rate of increase has slowed, and that’s a start. Don’t expect prices to fall across the board but certain areas will see price declines. Food and Energy are areas we are seeing some declines, which is good for main street and adds money to consumers’ pockets. The key to softening the blow from inflation is to get real wages to grow, and we are seeing some improvement here.

We are seeing a bit of a resurgence in inflation, so the Fed will be playing a balancing act in the second half of 2023. A few of the benefits of the Fed rate increases are that we are seeing CD rates in the 4%-5.5% range on various maturities, along with bond rates in a similar range. This makes it easier for retirees to generate the cash flow they need without the volatility of the markets, something they have had to endure for the past decade.

Did I mention we got a debt ceiling deal done? The politics played out much like they did in 2011 with both sides posturing until the last minute, agreeing to a few small items, increasing the limit and kicking the can a little further down the road. Let’s all enjoy the win for the time being and we can do this all again in January of 2025.

Here at NorthStar we have some exciting things happening, we hired Giavanna to take on several operational duties, she is working out of our Mendota Heights office, and we are very happy to have found her. We are implementing some new technologies to help us better serve our clients, and in July we have a new advisor joining our Rochester office. That brings our brain trust up to 7 advisors at our three locations.

As always, we appreciate the trust you put in our team. We hope you have many plans to see family and friends this summer season. If you have the time, check out some of these Midwest National Parks:

<https://viatravelers.com/national-parks-in-the-midwest/>

#### Market Summary As of 6/30/2023

<b>S&amp;P 500:</b>	<b>4,450.38</b>
<b>Dow Ind.:</b>	<b>34,407.60</b>
<b>Nasdaq:</b>	<b>13,787.92</b>
<b>10 YR Treas.:</b>	<b>3.82</b>

As we are introducing new technologies here are a few for you to consider for your summer travel:

<https://www.architecturaldigest.com/gallery/newest-technology-summer-travel>

Thank you and take care –

Ps. Check out our website for great tools and education! [www.northstarfp.net](http://www.northstarfp.net)



2303 Waters Drive, Mendota Heights, MN 55120

651.272.3511 ♦ Fax 507.281.6884

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S&P 500: The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks. The Barclays US Aggregate Index covers the dollar-denominated investment-grade fixed-rate taxable bond market. The Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index is a capitalization-weighted index that tracks the total return of common stocks in 21 developed-market countries within Europe, Australia and the Far East. DJIA- A price-weighted average of 30 actively traded blue-chip stocks, primarily industrials including stocks that trade on the New York Stock Exchange Nasdaq- A market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange