WEALTH & WELLNESS GROUP

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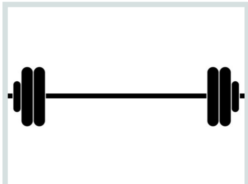
The Barbell Year



Markets are off to a strong start in 2023. The S&P 500 and Dow are up about 6.2% and 2.8% respectively in January. Turning in their third positive month in four, while the Nasdaq Composite was up 10.7% which marks its best monthly performance since July 2022.

Historically, a positive January is a good sign for the markets. Of the five instances in which the S&P gained more than 5% in January after a negative year, the benchmark index rose 30% for the year on average. Another metric using data going back to 1929 suggests that when the S&P 500 posts a gain for the first month, it goes on to rise another 8.6%, on average for the rest of the year. (Source: Ned Davis Research)

Driving the heightened confidence in the market was a declining rate of inflation and expectations that the Fed would be slowing and possibly ending its rate increases in the first quarter of this year. All of which looked good until the most recent jobs report. Economists were expecting employers to add 187,000 new jobs but it turned out to be 517,000. Talk about missing the mark.

Numbers like these are interesting for a couple of reasons. First, its really hard to forecast an impending deep and dark recession with growth like that. Second, big tech companies have made lots of headlines with their recent lay-offs. In fact, Amazon recently laid off 18,000 people and Microsoft another 10,000. Combined, that's 28,000 people without a job and carries a negative connotation like things are bad and about to get worse. But the reality is, many of these people are highly employable and likely to be quickly grabbed by other firms and start-ups, and those numbers are miniscule when you know that Amazon has over 1.5 million employees and Microsoft close to 225,000 of their own people.

The key here is to understand the context in which the numbers are being reported. Another example are a couple headlines I recently read: *Consumer confidence drops by two points more than expected* and *Home values continue to slide.* Yes, consumer confidence dropped from 109 to 107. But anything over 100 is considered optimistic. Additionally, instead of home values growing at a pace of 9.9% year-over-year, they are now only growing at 7.7% per year. Not too bad if you ask me.

Obviously, a strong January for markets, combined with a still optimistic consumer, and relatively solid home values doesn't mean it's easy street from here on out. I wish it were that simple, but the markets remain fixated on what the Fed is going to do, and we suspect the Fed is going to create a barbell market. If you think about how a typical barbel looks, it's bigger / heavier on the outside and skinny / shallow in the middle. In other words, we see a strong start to the year, followed by a lackluster middle and then additional growth at the end of the year.

As a result, we will continue to monitor Fed policy, key economic data, and consumer trends. Furthermore, as markets acclimate to higher rates, moderate inflation, and slower economic growth, we will continue to monitor and adjust portfolios to minimize future downturns while seeking to capitalize on a further market rebound.

Trivia

1) What was the name of the first dog in outer space?

2) Despite its name, this famous piece of headwear only holds three quarts?

3) The name for a pack of cyclists, Peloton, is archaic French for this military unit?

Did You Know?
"Spy games"

The worst-kept secret in espionage may well be the British Secret Intelligence Service itself. James Bond, the most famous fictional spy ever, made it a household phrase the world over, but the British government didn't acknowledge the agency's existence until 1994.

A CIA project in the 1960s called Acoustic Kitty tried to use a cat to spy on the Soviets. A microphone was installed in a cat's ear canal, with a radio transmitter in the base of its skull. The feline wouldn't behave as trained so they abandoned the project after spending $15 million.

One of the most significant spies in American history was Peggy Shippen, wife of Benedict Arnold, the general who conspired to surrender West Point to the British.

When the plot was exposed, Arnold fled to New York City, leaving her behind. She acted as if she were driven mad by her husband's treachery, convincing George Washington and Alexander Hamilton of her innocence. It took more than 140 years for the truth to come out when British Gen. Henry Clinton's family sold his archives.

Source: ChicagoTribune.com

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Intermittent Retirement

By now, you've likely heard of intermittent fasting which entails eating for certain periods of times or days. Popular suggestions include only eating for an 8-hour period of time each day or eating a regular diet for five days a week and then fasting, or skipping meals for the next two days.

I jokingly call it, intermittent starving because I grew up in a household and time where we were told, "don't leave the table until you eat everything," and that "there are people starving in foreign countries." Plus, it doesn't help that my wife, Amie, is a great cook.

That being said, the whole idea of intermittent eating or fasting is that it focuses more on the "when" more so than "what." Therefore, instead of monitoring calorie intake or excluding carbs from meals, this approach targets specific time frames to eat healthy portions.

I think this concept would also work well with retirement. In other words, intermittent retirement or even intermittent working. Once again, the focus would switch from what people are doing for work and focus more on when they work. The interesting thing here is that as I examine the new and emerging ways that people are thinking about retirement, this fits nicely.

Fact is, people are reaching age 50, 55, 62, 65, and even 70 and don't necessarily feel like that want to give up some of the benefits that work provides them. Whether that is structure and routine, social connection, mental stimulus or physical activity, work isn't bad and constant leisure isn't always good.

Furthermore, no matter where people live, there are periods of time when weather isn't conducive to outside activity. For example, in Michigan, the months of January through March are met with frigid temps and poor driving conditions which make meeting friends or going for a walk outside, less than ideal. Likewise, in Arizona for the months of June through August the sweltering temperature makes an afternoon BBQ or round of golf with friends feel overheated.

Those times of year also tend to coordinate with busy seasons for certain industries. Obviously, tax season starts at the beginning of the year and so do health related activities based on new year resolutions.

That makes bookkeeping and customer service at a health club a long-hanging intermittent job. On the other end of the spectrum, ice cream shops, pool cleaning and skilled trades like HVAC become quite literal "Hot commodities" in warmer climates.

The point here is that no matter if you're 10 years away from retirement, 1 year away from it, or 3-5 years or more into it, there are creative ways to look at the transition to help you make the most of it and intermittent retirement or working may be one that can benefit for you.

Trivia Answers

1) Laika
2) 10-Gallon Hat
3) Platoon

Source: Ultimate Book of Pub Trivia