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WEALTH & WELLNESS
GROUP

Play, Pause, Fast Forward or Rewind

Stocks finished July on a positive note, with the S&P climbing 3.1%, its fifth consecutive month of gains. The Dow jumped 3.4% after experiencing a 13-day rally, its longest since 1987. The Nasdaq Composite popped 4.1%, its first five-month streak in more than two years.

Cooling inflation, a strong labor market, and positive trends in second quarter corporate earnings have all been providing support to market sentiment. In fact, more than half of the companies in the S&P 500 have reported earnings with 82% topping earnings expectations, according to FactSet. The market optimism has also extended to commodities since the promise of higher economic activity raises demand for the raw input needed to keep the world moving. To that point, Aluminum and Zinc rose 2.7% last month and Copper rose 6.2% for its best month since January.

As a result, investors are growing more confident about the idea of a soft landing, where inflation cools while the U.S. economy, labor market, and corporate earnings continue growing. However, despite the rosy picture and sentiment, history and other factors suggest it may be time for a pause in market performance.

Since 1950, the average return for the month of August has been just 0.01%, making it one of the worst months for stock-market returns. When stocks fall in August, the average drawdown is 3.2%, but that factor can balloon up to 3.5% when the S&P 500 has gained more than 15% through the end of July (like we have done this year). Seasonally, Sept is ranked as the worst month of the year for stocks as well.

History aside, several factors are posing near-term headwinds. To start, some experts feel that markets are currently overvalued. The 25-year average P/E for the S&P 500 is 16.8, which is almost a full point below the current forward estimate of 17.7. The spreads between U.S. treasury's remain inverted, which simply means that shorter-term US bonds are yielding more than longer term ones. Finally, a strong dollar may put pressure on continued equity market strength, particularly multi-national companies that have higher international sales. If the Euro or Yen, for example, can purchase fewer domestic goods, sales and profits can be negatively impacted.

We also can't ignore the fact that benchmark interest rates jumped to a new 2023 high of 4.12% after rating agency Fitch downgraded the US government's credit rating. Higher rates put pressure on growth-oriented sectors like technology and communications.

While we do acknowledge these risks and the potential for a near-term pause or pullback, our sense is that it will be shallow and represent an opportunity to add to equities in the hardest hit sectors. Therefore, we remain optimistic about the direction of the economy and overall consumer and labor trends. We remain focused on finding ways to maximize fixed income positions, explore international exposure, and add to sectors like healthcare and tech, especially on a market dip.

Trivia

1) Are there more red or white stripes on the U.S. Flag?
2) On what day is Superman's birthday?
3) What's the name of the top-hatted man in the Monopoly board game?

Did You Know?
"Umbrellas"

Umbrellas weren't created for protecting people from rain. They were used to shade noblemen in ancient China. This is why the origin of the name is related to a shadow, and not rain.

In fact, the name 'umbrella' comes from the Latin word 'umbra' which means shade or shadow. The Japanese word for umbrella has an interesting story. Their term for umbrella is *Kasa* and means: A person under shelter.

In ancient Egypt, the umbrella was a symbol of power. Back then, not everyone could afford a parasol. Only the powerful could shield themselves from the sun and Gods. During this time, umbrellas were often unusual, exotic, and beautifully decorated.

In the book, Robinson Crusoe, the protagonist creating his own umbrella based on one he'd seen in Brazil. From this, the umbrella was referred to as a 'Robinson' for many years before it slowly phased out.

The first working "folding umbrella" was introduced in 1969 by Bradford Philips.

Over 33 million umbrellas are sold annually in the U.S.

Source: Breobox.com

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What Can Happen To Co-Workers After Retirement?

It happens all the time. A client retires and assumes that decades of camaraderie, conversation, and work collaboration will foster an ongoing relationship once they leave the workplace. But no matter if it's three, six, or twelve months later, the calls, lunch invitations, and emails trail off for what appears to be no reason.

It's a situation that can be hard to understand and disheartening for many people. But, it's all part of the psychology of retirement that isn't often discussed let alone planned for… and in many cases can be avoided with some intentionality.

Two of the primary reasons why work relationships can fall by the wayside after retirement is because of proximity and the loss of shared experiences, in particular, "shared frustrations." Proximity is easy to understand. Being in a shared space with the same people for years makes developing a relationship easy and natural. As you might imagine, not having easy, regular access to these people means someone has to put in some additional effort to stay connected.

The loss of shared experiences can challenge relationships in multiple ways. First, since you're no longer in daily communication with these people, you're not in the "know." In other words, every time you get together it can feel like you're walking into a movie thirty minutes late and asking to get caught up, and thus disrupt the flow of the conversation. Second, as both life and work situations evolve, you'll be less involved simply because you're not there on the front end of the excitement or challenges that can arise with a big project or family milestone for example.

A final factor that surprises some people centers around the loss of shared frustrations. Whether it was a bad boss, the third new accounting system that management brought in, or requests to work more since the department is short-handed, the things that rub you the wrong way at work is a key factor that helps bond you and your co-workers together.

As you might expect, when someone leaves that environment, the initial conversations may still center around previously shared frustrations, but the recently retired person doesn't have the same skin in the game. In fact, they may celebrate the fact that they are glad they don't have to deal with such and such or be subject to this or that.

While co-workers may express a desire to be in a similar boat, the combination of less proximity, being out of the "know" and diminishing shared frustrations, there is less to talk about and less connection. This is one reason why I suggest that if people want to maintain relationships with co-workers, that they find additional points of connection, including shared areas of interest as well as frustrations.

In other words, to be more intentional about where and how you spend your time with people you want to stay connected to in retirement. That can mean a myriad of things depending on your taste and preferences. It may mean inviting a co-worker to a car show, sporting event, fishing trip, Bible study, charitable event, concert in the park, garden tour, knitting class, or regularly scheduled coffee chat. Finding time outside of work can lead to a more in-depth conversation and help maintain some proximity, keep you in the loop, and replace shared work frustrations.

Trivia Answers

1) Red wins 7-6
2) February 29th
3) Rich Uncle Pennybags

Source: Pub Trivia