WEALTH & WELLNESS
GROUP

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A Little Market Indegestion?

After a rocky start to the year, the markets rebounded nicely allowing all three major indexes to finish positive. The S&P 500 advanced 1.6%, while the Dow Jones Industrial Average was up 1.2%. The tech heavy Nasdaq finished up 1% for the month. It's a solid start to the year and marks the third straight monthly advance for the main three indexes, the longest such streak since mid-2020.

The momentum can be attributed to further advances of the co-called Magnificent Seven stocks, expectations that the Federal Reserve would begin easing monetary policy by the first half of this year, and a bevy of positive economic reports on economic growth, inflation, housing and the labor market.

Gross domestic product data showed the U.S. economy grew at a rate of 3.3% in the fourth quarter, which was much higher than the 2% expectation from economists. The price index for personal consumption expenditures rose 2.7% on an annualized basis, down from 5.9% a year prior. Consumer confidence recently reached a two-year high and November home prices in the 20 largest U.S. metro areas climbed for the 10th straight month to a record high. All good signs that underscore continued economic resiliency, which sounds good, but may actually be the hinderance for markets moving higher.

Right now, our sense is that the market may be dealing with a little indigestion. It's full of so much optimism that more good news may be bad news, at least in the short-term. Continued strength like this may cause the Fed to delay cutting interest rates, and in the process, create an economic pothole. This won't necessarily derail the economy but would make the ride forward a little more bumpy. A problem with the Fed's "data dependent" approach is the timing of said data. If the Fed waits to see inflation at 2%, for the unemployment numbers to tick up closer to 4%, or for economic growth to flat-line, it will take time to repair any damage from this wait-and-see approach.

We're not suggesting that a recession is imminent or that a major market downturn is ahead. However, much of the data the Fed uses to make policy decisions are done with lagging indicators. In other words, if the Fed keeps interest rates higher for longer, fewer people will be buying and selling homes, cars will stay on lots longer, and consumers will opt to forego or delay purchases. Like a domino effect, if fewer mortgages and auto loans are being done, they need fewer people to service or make them. If consumer spending slows down, more people get laid off to protect profits and save on labor costs. One piece of the puzzle impacts another and the snowball can start rolling down the hill pretty fast.

To be fair, we feel the Fed has done an effective job getting us to this point and that they won't let this happen… but it's hard to know with any level of certainty what path they will take. Therefore, our focus will be remaining on economic reports, speeches by Federal Reserve members, and of course developing issues in the Middle East, Ukraine, and China. Overall, as markets continue to digest the latest results in corporate earnings and assess the Fed's next move, we plan to use any downward momentum in key stocks and sectors to strengthen existing positions and enhance income / yield.

Did You Know?
"Gentleman's Attire"

The difference between a sport coat, blazer, & suit coat boils down to patterns, buttons, and fabric.

A sport coat is a patterned jacket that coordinates with trousers that are not made of the same fabric.

A blazer is a solid color jacket with contrasting (often metal) buttons.

And a suit coat has a pair of pants made from the same fabric/pattern as the coat.

Sport coats originated in the 19th century when men wore them for hunting & fishing. It's the most casual option of all the jackets and is ideal when dressing casually for business. Sport coats also come in different weights and textures for fall, winter, spring, and summer.

A blazer is defined by its solid color & metal buttons. Often, the buttons feature a nautical motif because back in 1900's the British Navy established its uniform with a simple navy jacket. A blazer is also a sign of membership & serves as a status symbol.

The easiest of the three to understand is the suit coat which is simply the jacket of a suit. It's worn with trousers that are made from the same fabric, with the same pattern.

Source: TomJames.com

Trivia

1) How many hearts are there on the six of hearts?
2) What is the most often-sung tune in the world?
3) What is the oldest fast-food hamburger chain?

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Money Labels, Beliefs, and Biases

As a financial advisor, I spend a lot of time talking to people about money. What's interesting about these discussions is that our client's wealth is accumulated in different ways, over different periods of time, and they often express a wide variety of thoughts, feelings, and beliefs around it.

Fact is, we all have an identifiable, though largely unconscious and unexamined relationship with money that shapes our experience in life and our deepest feelings about ourselves and others. To a certain extent, just about everything feels like it is tied to money. The food we eat, the clothes we wear, the houses we live in, the schools we attend, the work we do, the futures we dream of, who or whether we marry or not, have children or not, health and healthcare, and so on.

This makes it important for individuals, as well as couples, to examine their financial labels, beliefs, and biases. Each of these components helps establish a baseline for how we see, use, and experience money. By understanding these deeper thoughts and feelings around money, we can better understand how we got here and whether there is a need to break some of these old and outdated patterns.

To start, money labels are something we assume or are assigned, such as a "saver" who is frugal or cheap. Or maybe it's a "spender" label who is perceived as needy or irresponsible. These labels can further evolve into the perception as a risk taker who may be reckless or the risk avoider who is considered a nervous nellie or pessimist.

These labels can come about through a set of beliefs we have acquired over time and through others. They include common sayings like, **"**Money doesn't grow on trees… Money can't buy happiness… You need money to make money… and Money is the root of all evil." Right or wrong, these phrases may have emerged in your youth and still play a role in how you perceive and use money. Furthermore, you may be unknowingly passing this same information on to future generations with little to no context for it.

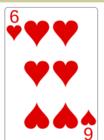
After beliefs, we have a series of money biases that we develop. Common biases include loss aversion, herd mentality, and confirmation bias. Loss aversion is when people make financial decisions that are designed to ensure they don't lose money rather than make money. The herd mentality implies people are more likely to jump into a financial situation based on what others are doing, and a confirmation bias simply suggests that we seek out financial information based on what we already think and do with money.

What's interesting is that there is no best or worst money label, belief, or bias. It's also very normal for people to exhibit or align with more than just one, and in many cases, can use different labels, belief's, and biases in different areas of life. For example, some people may have been trained or taught to feel differently about how they handle money with regard to giving to charity than to family.

So where do you fall, and more importantly, why? How did you come to see yourself as a particular label? What things did your parents, grandparents and other adults tell you about money? What biases make you feel most comfortable when making a money decision? Are any of these factors old or outdated? Do any need to be changed?

Trivia Answers

1) Eight →



2) "Happy Birthday To You." It was composed by Mildred & Patty Hill

3) White Castle, which opened in 1921

Source: Pub Trivia

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