WEALTH & WELLNESS GROUP

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Have Markets Risen Too High, Too Fast?

The U.S. stock market leaped further ahead in February. For the month, the Nasdaq was the best performer with a 6.1% gain. The S&P 500 climbed 5.2%, while the Dow added 2.2%. It's been a surprisingly robust start to the year with Nasdaq surging 7.2% for the first two months of the year while the S&P 500 and the Dow industrials have advanced 6.8% and 3.5% respectfully. It's the market's best start to a year since 2019.

What is different from recent market pops like this, is that all 11 of the S&P 500's large-cap index finished in the green last month. Previously, it was all about the so-called "Magnificent 7" doing all the work, but several lagging sectors like industrials and material rose to the occasion, primarily because markets expect financial conditions to ease once the Fed decides to reduce interest rates later this year.

However, a market surge like this can leave everyone wondering if the markets have run too far too fast. Technically speaking, valuations are high relative to history. The S&P 500 currently trades at 20.6 times 12-month forward earnings, with the median price/ earnings ratio of the S&P 500's 10 biggest stocks higher than in 2020, 2010, and the dot-com bubble in 2000, when it was about 25 x future earnings.

On top of big gains and lofty valuations, inflation remains sticky, consumers are still spending, personal income is on the rise, and GDP for the first quarter is tracking near 3%. All told, that means the Federal Reserve isn't likely to deliver the six or seven rate cuts that markets were expecting at the start of the year, thus suggesting we may have ridden the AI bubble a little too far and markets are indeed ready for a breather.

The bond markets aren't flashing any serious signals, but the recent move in 10-year treasury yield supports a pause. Prior to March, the benchmark index was trading about 4.30% or 30 basis points higher than the beginning of the year. But in just two trading weeks, the yield is down to 4.08% or 10 basis points away from the 2024 start. The yield on the 10-year treasury tends to decline during periods of volatility as people seek more safety and in the process, push down yields.

But it's not just the bond market suggesting a bear case scenario. There are other cracks in the market's foundation as well. Tesla shares have tumbled close to 18% this year, while Apple is off 6.1% and Alphabet / Google is down 1% over the same period. Furthermore, just six trading days into March, the S&P 500 is flat while the Dow is in the red.

While we do think it may be time for a market breather, a short-term pullback doesn't mean it's the end of a bull market. In fact, according to Ned Davis Research, the average bull market since 1930 has lasted 694 days. That makes the current market uptrend which began back in Oct 2022 only 344 days old, implying we are only halfway through it.

Therefore, our sense is that until there is a new market catalyst to help push things higher, this is a good time to take some profits. With a goal then, to redeploy assets into areas of the market we expect to perform well in the next 12-18 months like industrials, materials, and energy, as well as capitalize on any market pull back by re-investing in sector leaders who have helped us reach these levels.

Trivia

1) What is the name of the pet dinosaur on the TV cartoon "The Flintstones"?
2) What is the only food that can never go bad?
3) Who is Barbie's little sister?

Did You Know?
"Banks vs. Credit Union"

Banks are typically for-profit entities owned by shareholders who expect to earn dividends. Credit unions are not-for-profit, member-owned co-ops.

Banks are open to the general public, while credit unions have membership requirements. To join one, you usually need to meet certain eligibility criteria, such as living or working in a specific area, belonging to a certain profession or organization, or be related to an existing member.

Both credit unions and banks offer a range of products and services like checking accounts, savings accounts, loans, mortgages, and credit cards. However, there can be variations in the specific offerings and terms. Credit unions often provide lower fees and more competitive interest rates due to their not-for-profit status.

Banks are regulated by federal agencies such as the Office of the Comptroller of the Currency (OCC) or Federal Deposit Insurance Corporation (FDIC). Credit unions are regulated by the National Credit Union Administration (NCUA), a federal agency that supervises and insures them, providing similar deposit insurance as the FDIC.

Source: Bankrate.com

Meet our new employee, Ceresse (Sir-Reese) Lindberg. She comes to us with over 20 years of operational and office management experience. She has a MBA from Baker College with an undergraduate degree in Computer Systems from The University of Detroit.

She has spent time with major employers like IBM, Dell, and Ascension however, has developed a niche and passion for organizing, streamlining, and improving client relationships with smaller, local firms.

Her role as our office manager and account specialist, will have her taking the lead on distribution requests, account opening and transfer paperwork, document requests, and other general business inquiries. This will help free me up to better serve all of you.

Cceresse is originally from the east side of Michigan and now resides in Milford with her husband Scott of 19 years. Together they enjoy collecting classic cars and competing in Spartan races across the country. They recently welcomed a new puppy into their life named Tinsley.

We are excited to have her as part of our team!
She can be reached at:
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Choose Your Hard

In the journey of life, we often find ourselves faced with choices that demand our determination, perseverance, and resilience. It's a common misconception that the path to success is paved with ease and comfort. In reality, success often comes from embracing the challenges that come our way and choosing our "hard." Understanding this concept can be a powerful catalyst for motivation and achievement.

Choosing your hard means recognizing that both success and failure require effort, but the effort invested in each yields different outcomes. It's the realization that while the road to success may be difficult, the rewards it offers far outweigh the temporary discomforts and struggles along the way.

One of the fundamental aspects of choosing your hard is understanding your priorities and goals. What are the things that truly matter to you? What are you willing to sacrifice and work hard for? By identifying your priorities, you can focus your energy and efforts on the things that align with your values and aspirations.

Moreover, choosing your hard involves embracing discomfort and stepping out of your comfort zone. Growth and progress rarely occur within the confines of familiarity and routine. Instead, they thrive in the face of challenges and adversity. By pushing yourself beyond your limits and embracing discomfort, you open yourself up to new opportunities and experiences that contribute to your personal and professional development.

It's essential to acknowledge that motivation is not always readily available. There will be days when you feel uninspired and demotivated, and that's perfectly normal. However, what sets successful individuals apart is their ability to stay committed and disciplined even when motivation is lacking. This is where choosing your hard becomes particularly relevant.

When motivation wanes, it's the commitment to your goals and the willingness to endure hardships that keep you moving forward. Remind yourself of the reasons why you started in the first place and the vision you have for your future. Visualize the end goal and let it serve as a source of inspiration during challenging times.

Moreover, surrounding yourself with a supportive network can significantly impact your motivation and perseverance. Whether it's friends, family, mentors, or peers, having a support system that believes in you and encourages you can make all the difference. Lean on them for guidance, encouragement, and motivation when you need it most.

Another crucial aspect of choosing your hard is adopting a growth mindset. Instead of viewing challenges as obstacles, see them as opportunities for learning and growth. Embrace failure as a stepping stone towards success and use it as a chance to refine your skills and strategies.

Choosing your hard is about embracing the challenges and sacrifices necessary for success. It's about prioritizing your goals, pushing past your comfort zone, and staying committed even when motivation is lacking.

Trivia Answers

1) Dino
2) Honey
3) Skipper

Source: Today.com