

Horizon Wealth Management

Weekly Market Commentary

January 30, 2023

The Markets

The vicious cycle of inflation.

Last week, we learned that pay increases at central banks in many parts of the world won't keep pace with inflation. As a result, their employees may not be able to maintain the standards of living they had before inflation began rising. For example, at the United States Federal Reserve (Fed) the maximum pay increase was 5.1 percent for 2022. That's significantly below inflation which averaged 8 percent last year, reported Jana Randow and Enda Curran of *Bloomberg*.

It's a similar story elsewhere in the world. Inflation in the Eurozone averaged 10.6 percent in 2022, yet the average salary increase at the European Central Bank (ECB) and Bank of France was 4.0 percent. Germany's Bundesbank offered a 1.8 percent raise. In the United Kingdom, where inflation was 9.1 percent on average last year the Bank of England offered a 4.5 percent annual pay increase.

Central banks have a reason for not raising pay enough to cover price increases. It's called the wage-price spiral. The Richmond Federal Reserve explained it like this:

"In a wage-price spiral, inflation is fed by a vicious cycle where, as the cost of living rises, workers demand higher wages to pay their bills, leading firms to increase prices even further to cover labor costs."

Since central banks are trying to reduce inflation, they want to avoid a wage-price spiral. Consequently, giving employees raises that don't keep pace with inflation means that central banks are practicing what they preach.

Understandably, central bank employees are not happy about it. In January, a spokesperson for the ECB's trade union told *Bloomberg's* Alexander Weber, "With inflation in Germany and the euro area likely around 8.5% this year, it means a substantial loss in purchasing power."

Last week, data suggested that central banks' efforts to push inflation lower are working. The Bureau of Economic Analysis reported the Personal Consumption Expenditures Index, which is one of the Fed's preferred measures for inflation, dropped from 5.5 percent in November 2022 to 5.0 percent in December. The core PCE index, which excludes food and energy prices, fell from 4.7 percent year-over-year to 4.4 percent over the same period.

Investors were enthusiastic about the progress on inflation and major U.S. stock indices finished the week higher. The yield on the one-year U.S. Treasury ended the week at 4.68 percent.

| Data as of 1/27/23 | 1-Week | Y-T-D | 1-Year | 3-Year | 5-Year | 10-Year |
|--------------------------------|--------|-------|--------|--------|--------|---------|
| Standard & Poor's 500 Index | 2.5% | 6.0% | -5.9% | 7.9% | 7.4% | 10.5% |
| Dow Jones Global ex-U.S. Index | 1.4 | 8.6 | -6.8 | 1.0 | -1.1 | 2.1 |

| | | | | | | |
|------------------------------------|------|------|-----|------|-----|------|
| 10-year Treasury Note (yield only) | 3.5 | N/A | 1.8 | 1.6 | 2.7 | 2.0 |
| Gold (per ounce) | -0.1 | 6.1 | 6.4 | 6.8 | 7.4 | 1.5 |
| Bloomberg Commodity Index | -0.5 | -1.1 | 5.1 | 13.6 | 4.3 | -2.3 |

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

OH, TO BE 18 FOREVER. You're likely to live a lot longer than your great grandparents did. In 1900, average life expectancy at birth in the U.S. was about 47 years. It rose to 68 by 1950 and, in 2021, average life expectancy was about 76 years, reported Harvard Health.

Science is working to extend life expectancy further by looking for ways to reduce biological aging. Dr. Morgan Levine develops tools to measure biological aging, reported Zoë Corbyn of *The Guardian*.

"Most people's biological age will be within plus or minus five years of their chronological age, but you can have outliers of up to 10 or more years. The wonderful thing, compared with chronological age, is that biological age is modifiable. We don't yet know exactly how to modify it to the greatest extent, but the clock can be made to tick slower, or even possibly go backwards, in response to our behaviors (though it can also speed up)," reported Levine.

Bryan Johnson, a 45-year-old software entrepreneur, has his sights set on achieving a biological age of 18, reported Ashlee Vance of *Bloomberg Businessweek*. To that end, Johnson has enlisted a team of 30 doctors who are "committed to help reverse the aging process in every one of Johnson's organs..." The endeavor is expected to cost Johnson about \$2 million this year.

Regaining lost youth is a full-time job, according to the doctor who leads the team. In addition to following a specific diet, exercise, and sleep plan, Johnson, "endures dozens of medical procedures, some quite extreme and painful, then measures their results with additional blood tests, MRIs, ultrasounds and colonoscopies." His medical team reports that, so far, he has reduced his biological age by at least five years.

We all have goals for the future. No matter what you want to accomplish, it's important to have a financial plan that will support your progress. If you would like to talk about your plans for the future, get in touch.

Weekly Focus – Think About It

"There is no cure for birth and death save to enjoy the interval"

—George Santayana, philosopher

Best regards,

Chris Dumford, CFP®, AIF®

Larry Makatura, CFP®, AIF®

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

Securities offered through **LPL Financial**, Member FINRA/SIPC.

- * These views are those of Carson Coaching, not the presenting Representative, the Representative's Broker/Dealer, or Registered Investment Advisor, and should not be construed as investment advice.
- * This newsletter was prepared by Carson Coaching. Carson Coaching is not affiliated with the named firm or broker/dealer.
- * Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- * Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- * All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- * The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
- * Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
- * Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
- * Past performance does not guarantee future results. Investing involves risk, including loss of principal.
- * The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
- * There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
- * Asset allocation does not ensure a profit or protect against a loss.
- * Consult your financial professional before making any investment decision.
- * To unsubscribe from the [Horizon Wealth Management Weekly Market Commentary](#) please reply to this email with "Unsubscribe" in the subject line or write us at [Horizon Wealth Management, 2801 Townsgate Road, Suite 106, Westlake Village, CA 91361](#).

Sources:

<https://www.bloomberg.com/news/articles/2023-01-27/fed-ecb-pay-deals-how-central-banks-are-fighting-inflation-at-home> (or go to https://resources.carsongroup.com/hubfs/WMC-Source/2023/01-30-23_Bloomberg_Global%20Central%20Banks%20Preaching%20on%20Pay%20Are%20Enforcing%20Squeeze%20Too_1.pdf)

https://www.richmondfed.org/research/national_economy/macro_minute/2022/mm_11_15_22

<https://www.bloomberg.com/news/articles/2022-12-07/ecb-staff-union-not-happy-with-pay-hike-below-record-inflation> (or go to https://resources.carsongroup.com/hubfs/WMC-Source/2023/01-30-23_Bloomberg_ECB%20Staff%20Union%20Not%20Happy%20With%20Pay%20Hike%20Below%20Record%20Inflation_3.pdf)

<https://www.bea.gov/news/2023/personal-income-and-outlays-december-2022> [see table]

https://www.barrons.com/market-data?mod=BOL_TOPNAV (or go to https://resources.carsongroup.com/hubfs/WMC-Source/2023/01-30-23_Barrons_Data_5.pdf)

https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value_month=202301
<https://www.health.harvard.edu/blog/why-life-expectancy-in-the-us-is-falling-202210202835>
<https://www.theguardian.com/science/2022/may/07/morgan-levine-only-10-30-of-our-lifespan-is-estimated-to-be-due-to-genetics>
<https://www.bloomberg.com/news/features/2023-01-25/anti-aging-techniques-taken-to-extreme-by-bryan-johnson> (or go to
https://resources.carsongroup.com/hubfs/WMC-Source/2023/01-30-23_Businessweek_How%20to%20Be%2018%20Again%20For%20Only%202%20Million%20a%20Year_9.pdf)
<https://www.goodreads.com/quotes/tag/life-and-death>