# Horizon Wealth Management
# Weekly Market Commentary
# November 13, 2023

## The Markets

Earnings grew in the third quarter.

Four times a year, during earnings season, publicly traded companies report how well they performed during the previous quarter. The strength of corporate earnings – also known as bottom-line profits – is one of the economic indicators that investors watch closely.

When companies consistently grow earnings, investors feel confident they may continue to do so. Consequently, solid earnings can help lift a company's share price. The opposite is also true. When earnings are lower than expected, investors may lose confidence in a company or look for better relative opportunities. As a result, weak earnings may lead to a company's share price falling.

Companies in the Standard & Poor's 500 (S&P 500) Index have been in an "earnings recession." That occurs when year-over-year earnings decline for two consecutive quarters. The earnings of companies in the S&P 500 retreated for three consecutive quarters – from October 2022 through June 2023, reported John Butters of *FactSet*.

Last week, with 92 percent of companies in the S&P 500 reporting on third-quarter performance, overall earnings were up 4.1 percent, year-over-year. The earnings recession is over. While that's positive news, concerns about slowing economic growth and the possibility of recession caused many analysts to lower estimates for fourth-quarter earnings by more than usual, reported *FactSet*.

Year-over-year earnings growth for the fourth quarter is estimated to be 3.2 percent, down from estimates of 8 percent at the end of September. Analysts also lowered forecasts for the first half of 2024. They expect earnings growth to be 6.7 percent year-over-year in the first quarter, and 10.5 percent year-over-year in the second quarter.

Downward earnings revisions reflect current market uncertainty. Last week, in a *Bloomberg* opinion piece, economist Mohamed El-Erian explained that while many hope for a soft economic landing, "There are multiple other plausible scenarios for the trajectory of interest rates...frustrating as it is for many of us seeking clarity, there is a range of possible reasons why policy rates may decline in 2024, and their economic and market implications can vary significantly. Conversely, there are also reasons why rates may remain elevated for most of next year."

Last week, investors appeared to embrace the idea that a soft landing and lower rates may be ahead. Major U.S. stock indices gained led by big technology and growth stocks, while the Treasury market remained relatively calm. At week's end, the yield on the benchmark 10-year U.S. Treasury was 4.6 percent.

| Data as of 11/10/23 | 1-Week | YTD | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---|---|---|---|---|---|
| Standard & Poor's 500 Index | 1.3% | 15.0% | 11.6% | 7.6% | 10.1% | 9.6% |
| Dow Jones Global ex-U.S. Index | -0.7 | 2.2 | 6.3 | -1.6 | 1.7 | 0.9 |
| 10-year Treasury Note (yield only) | 4.6 | N/A | 3.8 | 1.0 | 3.2 | 2.8 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Gold (per ounce) | -2.7 | 7.1 | 11.3 | 1.1 | 10.0 | 4.2 |
| Bloomberg Commodity Index | -3.4 | -9.9 | -12.4 | 11.2 | 4.1 | -1.9 |

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.

**HOW MUCH WILL YOU SPEND ON HEALTHCARE IN RETIREMENT?** Spending on healthcare – including amounts spent on healthcare, administration of insurance, health research, and public health through public and private funds – in the United States grew more slowly than usual during the pandemic, rising just 2.7 percent from 2020 to 2021, according to the Centers for Medicare & Medicaid Services.

Despite the slower rate of increase, Americans spent about 4.3 trillion on healthcare in total or about $13,000 per person. It's a significant expenditure even before you consider the fact that the real median household income was about $70,784 in 2021 in the United States.

Here's a different perspective: healthcare spending was equal to almost one-fifth (18.3 percent) of U.S. gross domestic product – that's all goods and services produced by the U.S. economy in 2021. For comparison, U.S. manufacturing contributed $2.3 trillion (12 percent) to GDP that year.

In 2021, the fastest-growing segments of healthcare spending were:

- Out-of-pocket spending ($433 billion, up 10.4 percent),
- Medicaid ($734 billion, up 9.2 percent),
- Medicare spending ($901 billion, up 8.4 percent), and
- Prescription drug spending ($378 billion, up 7.8 percent).

Understanding the cost of healthcare is important – and not just because it rises quickly. Healthcare is an essential component of retirement planning. Some pre-retirees assume that Medicare (the federal health care plan available to most retirees at age 65) will cover all healthcare expenses after retirement.

It does not.

As you prepare for the future, it's important to understand what Medicare covers, when you can enroll, and the estimated cost of any premiums or co-payments that may be required.

Fidelity's Retiree Health Care Cost Estimate suggests that an individual who reaches age 65 in 2023 may need savings of about $157,500 (after tax) to cover healthcare costs in retirement. For a couple, retiring at age 65 in 2023, the savings required to meet healthcare expenses in retirement is about $315,000.

If you would like to talk about retirement planning or review your current plan, please get in touch.

**Weekly Focus – Think About It**
"The road to health is paved with good intestines!"

*—Sherry Rogers, physician and author*

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.

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