

Horizon Wealth Management

Weekly Market Commentary

December 18, 2023

The Markets

Have rates peaked?

Last week, at its final policy meeting for 2023, the United States Federal Reserve indicated that rates may have peaked. After the meeting, Chair Jerome Powell said:

“As we approach the end of the year, it is natural to look back on the progress that has been made toward our dual mandate objectives. Inflation has eased from its highs, and this has come without a significant increase in unemployment. That is very good news...

“While we believe that our policy rate is likely at or near its peak for this tightening cycle, the economy has surprised forecasters in many ways since the pandemic, and ongoing progress toward our 2 percent inflation objective is not assured. We are prepared to tighten policy further if appropriate. We are committed to...bring inflation sustainably down to 2 percent over time, and to keeping policy restrictive until we are confident that inflation is on a path to that objective.”

Powell's post-meeting comments added to positive inflation news from earlier in the week. The annual rate of inflation, as measured by the Consumer Price Index (CPI), fell to 3.1 percent in November from 3.2 percent in October.

The inflation picture wasn't quite as rosy as that number suggests, though. Both headline inflation (+0.1) and core inflation (which excludes food and energy prices, +0.3) ticked higher month-to-month, and core inflation was 4.0 percent over the previous year.

The primary contributor to annual core inflation was the cost of shelter, which includes rent, owners' equivalent rent, lodging, and renters' and homeowners' insurance. It was responsible for nearly 70 percent of the total increase in core CPI. Key contributors included:

- Shelter index, +6.5 percent
- Personal care index, +5.2 percent
- Auto insurance index, +19.2 percent
- Recreation index, +2.5 percent
- New vehicles index, +1.3 percent

Global stock and bond markets celebrated falling inflation and the likelihood that Fed rate hikes have ended. Vildana Hajric, Jess Menton, Carter Johnson, and Elena Popina of *Bloomberg* reported:

“Virtually no corner of financial markets was left out of a cross-asset advance which began Wednesday and extended into Thursday trading: Global shares spiked higher, with gauges from the tech heavy Nasdaq 100 to Brazil's benchmark Ibovespa on track to close at record highs. Short-term Treasuries posted their best day since March, while world currencies surged against the dollar and corporate bonds rallied.”

By the end of the week, major U.S. stock indices were at 52-week highs, and the yield on the benchmark 10-year U.S. Treasury fell to 4.03 percent, reported Brian Evans and Sarah Min of CNBC.

Data as of 12/15/23	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	2.5%	22.9%	21.1%	8.5%	13.1%	10.2%
Dow Jones Global ex-U.S. Index	2.6	10.4	9.6	-1.0	3.9	1.7
10-year Treasury Note (yield only)	3.9	N/A	3.5	0.9	2.9	2.9
Gold (per ounce)	1.2	12.1	14.0	3.2	10.4	5.1
Bloomberg Commodity Index	1.1	-12.3	-13.1	9.3	4.3	-2.4

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.

TRADITIONS MAKE WINTER HOLIDAYS FUN. Winter holidays can be wonderful when they bring people together in celebration. Some families celebrate in the same ways for decades. Others develop new traditions that create a sense of togetherness while sharing cultural values. See what you know about holiday traditions – old and new – by taking this brief quiz.

- Where in the world do people celebrate the New Year by dressing in bear costumes and dancing?
 - Romania
 - Canada
 - Tibet
 - Greenland
- A Scandinavian retailer introduced a new holiday giveaway in the United Kingdom. The company will gift a few lucky recipients with:
 - A 6-foot gingerbread man
 - A dozen Lingonberry heart cookies the size of soccer balls
 - A turkey-sized Swedish meatball
 - A 55-gallon barrel of fermented skate
- If everyone at your holiday party is having such a good time that they've stayed later than you would like, Martha Stewart suggested:
 - Setting off the fire alarm
 - Saying, "I'm going to bed"
 - Turning out the lights
 - All of the above
- In Oaxaca, Mexico, Noche de los Rabanos (Night of the Radishes) is celebrated in December. How is it celebrated?
 - By roasting radishes and sharing them with friends
 - By carving scenes from folklore and religion onto really big radishes
 - By leaving radishes under the windows of homes to attract helpful spirits
 - By stomping radishes to make holiday wine

We wish you the happiest of holidays. (Answers are below.)

Weekly Focus – Think About It

“Tradition is a guide and not a jailer.”

—W. Somerset Maugham, playwright

Answers: 1) a; 2) c; 3) d; 4) b

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 to us at [Horizon Wealth Management, 2801 Townsgate Road, Suite 106, Westlake Village, CA 91361](#).

Sources:

<https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20231213.pdf>
<https://www.bls.gov/news.release/pdf/cpi.pdf> (page 4 and table 4)
<https://www.bls.gov/cpi/factsheets/owners-equivalent-rent-and-rent.htm>
<https://www.bloomberg.com/news/articles/2023-12-14/wall-street-traders-go-all-in-on-great-monetary-pivot-of-2024> (or go to
https://resources.carsongroup.com/hubfs/WMC-Source/2023/12-18-23_Bloomberg_Wall%20Street%20Traders%20Go%20All%20In_4.pdf)
<https://www.cnn.com/2023/12/12/stock-market-today-live-updates.html>
https://www.brainyquote.com/quotes/w_somerset_maugham_157990
<https://www.farmersalmanac.com/unusual-winter-traditions>
<https://www.ikea.com/gb/en/newsroom/corporate-news/ikea-meatball-lovers-rejoice-limited-edition-turkey-sized-meatball-launched-for-christmas-pub4c6a3200>
<https://people.com/martha-stewart-reveals-tip-getting-dinner-party-guests-leave-8413590>