

*"Life is a lot like a hot bath.
It feels good while you're in it.
But the longer you stay,
the more wrinkled you get."
~ Unknown*

Market Watch

Week Ending Feb. 22, 2024

(Source: Briefing.com)

• DJIA:	38,627.99	503.54
2024 1st QTR 3.80%		
• NASDAQ:	15,775.65	221.17
2024 1st QTR 6.60%		
• S&P 500:	5,005.57	83.23
2024 1st QTR 6.70%		
• Russell 2000:	2,032.74	-16.05
2024 1st QTR -0.50%		
• 10 Year Treasury:	4.26%	



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Dave's Weekly Commentary



Good Morning Everyone, and what a week in the financial markets. More on that a little later. Last Monday, the markets were closed and gave our office and me to get some of those back burner projects done. Michael came back from a well-deserved warm weather family vacation. Next week Michael and I will be heading to the Dallas Fort Worth area for the inaugural Osaic Ensemble committee meeting we are asked to join. I think I can speak for both Michael and I in saying we are both honored and excited to have been selected to be part of this committee and to share and learn from some of the finest financial practices in the industry. Our practice strives on an ongoing basis to have best practices as the foundation of who we are, and in doing so it also means to have a process to continue to both learn and give back. The ensemble committee which we were selected to be a part of is one example of that commitment.

So, let's talk about 4th quarter earnings reports... March will soon be here, and it also means the fourth quarter earnings reporting period will soon be over. In January we knew that this earnings season would get dragged out because it also includes fiscal year-end reporting. So, the question one may ask is how has it gone? Things started slow -- and a bit disappointing -- but picked up steam once the mega-cap stocks tossed their hat into the reporting ring. Tesla was the first of the mega-cap stocks to report results. It disappointed and drew a rebuke from several corners that it should no longer be considered part of the so-called Magnificent 7. When the next week concluded on February 2, the blended earnings growth rate was 1.6%. The swing from -1.4% to 1.6% happened over the course of a week in which Microsoft, Alphabet, Apple, Amazon.com, and Meta Platforms all reported their results and exceeded consensus earnings estimates. A lot of other companies reported better-than-expected results in the same week, but it was the Magnificent 5 that truly moved the earnings growth needle -- a needle that kept moving after their big week. At the end of last week (February 16), the blended earnings growth rate had doubled to 3.2%, but it did not stop or revert there. According to FactSet, it has bumped up to 3.8% for the week ending February 23, which featured the remarkable earnings report from Magnificent 1, NVIDIA.

We have now heard earnings results from 90% of the S&P 500, so it is safe to say that the fourth quarter reporting period was better than expected, but not a blockbuster reporting period in aggregate. It is typical for the final earnings growth rate to be two to three percentage points above the estimated growth rate. When the fourth quarter ended, the estimated growth rate was 1.5% and here we are now at 3.8%. Accordingly, we'll give this reporting period in aggregate a 'B', good, but not great.

The same holds true for revenues, which are up 4.2%, versus an estimate of 3.1% at the end of the fourth quarter, a five-year average revenue growth rate of 6.9%, and a 10-year average growth rate of 5.0%, according to FactSet. Additionally, Magnificent 6 aren't on track to report modest earnings growth. Apple is the exception as analysts are projecting its earnings per share to be flat year-over-year in the March quarter. The remaining five stocks are all projected to deliver either double-digit year-over-year EPS growth or triple-digit growth in the cases of Amazon.com and NVIDIA.

Collectively, the average year-over-year EPS growth rate for the Magnificent 6 is 117.7%. Take Apple out and it rises to 141.2%! Take NVIDIA out and it is still a robust 60.8%. The point being is that these stocks continue to find favor because of their earnings power. We are in the closing stretches of the fourth quarter earnings reporting period, which was a test for the market in terms of the results that were reported and the guidance that was provided. So far, the stock market passed the test with a good grade, having been fortunate enough to see that the earnings results and guidance from most of the Magnificent Bunch remained great.

Last week's markets... The S&P 500 and Dow Jones Industrial Average pushed further into record territory this week and the Nasdaq Composite shifted back into rally-mode. Most of the action over this holiday-shortened week occurred on Thursday as participants reacted to another large quarter from NVIDIA. NVIDIA's report renewed the market's enthusiasm for AI-related stocks, other growth stocks, and semiconductor shares.

A fear of missing out on further gains was a powerful directional driver this week that added to the post-NVDA earnings rally. Even on Friday, when growth stocks and semiconductor shares underperformed, the broader market finished with a positive bias. The Invesco S&P 500 Equal Weight ETF gained 1.2% this week. The information technology sector (+2.0%) was the second biggest gainer this week, only the consumer staples sector (+2.1%) did better. All 11 S&P 500 sectors registered gains this week, but the energy (+0.4%) and real estate (+0.9%) sectors still lagged index performance by a decent margin.

The market drew added support from ongoing optimism about rate cuts following comments from Fed officials. Fed Vice Chair Jefferson, who said this morning that it will likely be appropriate to begin cutting rates later this year, adding that he is cautiously optimistic about the way inflation is evolving. Market participants were also digesting the minutes for the January 30-31 FOMC meeting, which were scripted largely as expected. The 10-yr note yield fell four basis points this week to 4.26% and the 2-yr note yield rose seven basis points to 4.72%. Source: Briefing.com

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Key Financial Ages

There are some ages that are notable in life – from the age you can first legally vote, to the age you can legally drink. In the world of finance, there are notable ages as well that correspond to your financial life, and it starts as soon as you become an adult.

Eighteen It depends on your state (and the type of account) but in many states, by 18 you're no longer considered a minor. The implication of this financially is that if you have accounts like UGMA or UTMA these dollars are no longer restricted and your child (who is no longer a child at this point) has free access to these funds. At age 18, you also stop collecting any child survivor Social Security benefits for deceased parents if you had those benefits.

Twenty-Six At the age of 26, you can no longer stay on your parent's health insurance policy and need to be on your own policy – regardless of your employment status. If you don't have an employer sponsored plan for yourself, you can obtain health coverage through Marketplace.

Fifty Fifty is the next notable age in your life, as this is when you can begin with catch-up contributions for your retirement accounts. If you have an IRA, you can save an extra \$1,000. If you have a plan such as a 401(k) or 403(b) then you can save an additional \$7,500 the year that you turn 50. These amounts are in addition to the normal limits on your retirement plan.

Fifty-Five When you reach the age of 55, you can begin catch up contributions to your health savings account or HSA. Unlike your retirement plan, where you can start the year that you turn 50, for your HSA you need to wait until the date you turn 55 to start saving those additional funds. You can save an additional \$1,000 to your plan if you have a family plan.

Fifty-Nine And A Half You've reached the age of penalty-free retirement withdrawals! This is the magical time when you can access those retirement accounts without the 10% early withdrawal penalty. You'll still be subject to any income tax on that money, but at least once you're 59.5 you won't have to deal with the 10% fee on top of it.

Sixty At sixty, you can collect Social Security Survivor benefits. It's important to fully understand the benefits and tradeoffs of these benefits before you begin collecting them, as it may depend on your situation – but it may make sense to take them now or in some cases to wait.

Sixty-Two At 62 years old, you're Social Security eligible at a reduced rate. While you can begin collecting your benefits now, you may be subject to a 70% reduction on your benefits for life. This is something that you should weigh out the pros and cons of against your financial situation, and it may help to talk through it with a financial planner. It's important to understand though that this is the age where you can begin to take these benefits.

Sixty-Five Now you're eligible for Medicare. Even if you're currently on an employer sponsored health plan, you may want to discuss your options with a Medicare specialist to see what may be the best fit and so that you don't jeopardize your benefits. Medicare tends to be a cost savings for most, so start looking at it about three months before you turn 65.

Sixty-Seven By age 67, you're the Full Retirement Age for Social Security – if you're born in 1960 or later as of this writing. Once you reach Full Retirement Age, you obtain 100% of your Social Security Benefits.

A quick note, if you are born in 1954 or prior, your FRA is 66, in 1955, 66 and 2 months, in 1956, 66 and 4 months, in 1957, 66 and 6 months, in 1958, 66 and 8 months, and in 1959, 66 and 10 months.

Seventy By 70, you're at the maximum for your Social Security benefit. By this age, if you've waiting to collect Social Security, now is the time, as the benefits have reached their maximum and can't grow any higher.

Seventy-Three (Or Seventy-Five) If you were born before 1951-1959, 73 is the age where you'll have to start taking Required Minimum Distributions. If you were born in 1960 or later, that age will be 75 for you.



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