Weekly Market Update

June 12, 2023

by David A. Smith, CFP®, MSFS, AIF® and Michael Cozad, CFP®, MSFS

*"All birds find shelter during a rain.
But eagle avoids rain by flying above the
clouds. Problems are common,
but attitude makes the difference."*

~ Abdul Kalam

Market Watch

Week Ending June 9, 2023

(Source: Briefing.com)

• DJIA: *2023 YTD 1.90%*	33,876.70	114.00
• NASDAQ: *2023 YTD 26.50%*	12,259.10	18.40
• S&P 500: *2023 YTD 11.50%*	4,298.86	16.49
• Russell 2000: *2023 YTD 11.00%*	1,865.71	34.80
• 10 Year Treasury:		3.745%

SMITH, MOSES & COZAD

Beavercreek Office:
2149 N. Fairfield Rd., Suite B
Beavercreek, OH 45431
ph: 937.431.8010

smithmosesandcozad.com

Dave's Weekly Commentary

Good Morning Everyone, Nancy and I got home safe and sound last Tuesday evening. The office, as I suspected, was in the same condition as it was when I left, and that is certainly with the help of Michael, Kailee, and Maddie (not to leave Dan out, but he was on vacation the same time). As we move towards the end of the second quarter, we are seeing some positive results, and more importantly over the last few weeks, a more broad-based rise in differing stocks and not just the mega-cap growth stocks. If all holds, we will see a much better quarter this year than last. We continue to meet with many of you to review and confer that your financial plan remains on track.

One the financial news front, the Conference Board's Leading Economic Index declined 0.6% in April, marking the 13th consecutive decline in that series, and signaling, according to the Conference Board, a worsening economic outlook. The Conference Board's Consumer Confidence Index for May featured an Expectations Index that slipped to 71.5, continuing a string of sub-80.0 readings in every month since February 2022, except for December 2022. A reading below 80.0, the Conference Board says, is associated with a recession in the next year. Additionally, the PCE Price Index increased to 4.4% year-over-year in April from 4.2% in March. The core-PCE Price Index, which excludes food and energy, increased to 4.7% year-over-year from 4.6%. That is the Fed's preferred inflation gauge, and it is moving in the wrong direction, while the Consumer Price Index, for added measure, showed total CPI up 4.9% year-over-year, versus 5.0% in March, and core CPI up 5.5% year-over-year, versus 5.6% in March. Clearly, CPI moved in the right direction, yet that did not excuse the fact that consumer inflation is still too high -- certainly relative to the Fed's 2.0% inflation target.

Also last week the narrative about recession concerns came in to last week's mix, and there has been some optimism that a hard landing for the U.S. economy can be avoided. However, very few are really looking for a boom in economic activity. The choice is between a hard landing and a soft landing. The latter is winning out these days in the stock market, which is trading at its best levels since last August but still adhering to a 13-month trading range. ON the inflation front, we have high inflation now and we are hearing increasingly that demand is moderating due to macro pressures, but we do not have a high unemployment rate. Granted the May unemployment rate moved to 3.7% from 3.4% in April, but 3.7% isn't high. In the recessions seen since 1980, the average unemployment rate has ranged from 4.8% to 9.0%.

The Fed, of course, seems wedded to the idea that a further softening in the labor market is needed to help bring inflation back down to its target rate on a sustainable basis. That would suggest the Fed is not done raising rates given the resilience of the labor market or, and on that note we will get more information on the Fed this coming Wednesday.

As far as the markets are concerned, It was a constructive week for the bulls last week. The S&P 500 closed Thursday's session (4,293.93) more than 20% above its October closing low, which enables it to meet the technical definition of being in a new bull market. This was the fourth and seventh straight week of gains for the S&P 500 and Nasdaq, respectively. There was more broad-based participation as money rotated out of mega caps and into other areas of the market. The Invesco S&P 500 Equal Weight ETF rose 1.0% this week while the Vanguard Mega Cap Growth ETF closed down 0.2%. Some of the mega caps fell prone to profit taking after a big run and to some valuation angst. A notable exception in that regard was Tesla which rose 14.2% this week and logged its eleventh straight gain on Friday. Some of that strength followed the announcement of a charging network deal with General Motors. Apple, meanwhile, closed flat this week after introducing its Vision Pro mixed reality headset at its Worldwide

The market behaved in a manner that suggest participants were hopeful the economy could avoid a hard landing. The Russell 2000 outperformed after lagging so far this year. It was the top performing major index with a 1.9% gain. That outperformance was helped by strong regional bank shares. The SPDR S&P Regional Banking rose 3.0% this week.

The S&P 500 financials sector was among the top gainers, up 1.1%. Other top performers included the cyclically-oriented industrials (+1.4%) and energy (+1.7%) sectors. The consumer discretionary sector (+2.4%) logged the biggest gain by a decent margin thanks to Tesla. On the flip side, the information technology (-0.7%) and consumer staples (-0.5%) sectors saw the biggest declines.

Treasuries settled the week with losses. The 2-yr note yield rose 11 basis points to 4.62% and the 10-yr note yield rose six basis points to 3.75%. This comes ahead of the FOMC decision this Wednesday. Presently, the fed funds futures market is pricing in a 28.8% probability of a 25 basis points rate hike for June and a 69.4% probability of a 25 basis points rate hike for July. Source: Briefing.com

Have a great week!

Newsletter continues on the next page.

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Planning Points *Source: Broadridge Advisor Solutions. Copyright 2023.*

Fiscal Responsibility Act of 2023

The Fiscal Responsibility Act of 2023, signed into law on June 3, 2023, suspends the federal debt ceiling until January 2025. The legislation also includes a number of spending cuts. It is estimated to reduce federal budget deficits by about $1.5 trillion over the 2023-2033 period relative to the May 2023 baseline projections, according to the Congressional Budget Office.

Some significant provisions in the legislation are summarized below.

Debt ceiling suspended

The federal debt ceiling is suspended through January 1, 2025. On January 2, 2025, the debt limit would be increased by the amount of obligations incurred up to that point.

Spending caps

Statutory caps are established on some discretionary spending for 2024 and 2025, and other limits will now apply for discretionary spending from 2026 through 2029. Discretionary funding generally means budget authority provided in legislation.

Rescission of certain funds

Certain funds provided in previous legislation have been rescinded (and either will not be spent or are allocated elsewhere), including the following:

- Some of the funds provided to the IRS by the Inflation Reduction Act of 2022 for enforcement and modernization of its technology
- Certain unspent pandemic-related funds provided by six laws between 2020 and 2022

Administrative pay-as-you-go

The executive branch is now required to follow administrative pay-as-you-go procedures before finalizing certain administrative actions. Under those procedures, discretionary administrative actions that would increase direct spending by more than a certain threshold would be required to include additional proposed actions to fully offset the increase in direct spending.

Termination of student loan payment moratorium

The current suspension of payments, interest accrual, and collections on defaulted loans in the student loan program is terminated 60 days after June 30, 2023.

Work requirements for social programs modified

Work requirements for the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) are modified. Work requirements for SNAP are expanded to include able-bodied adults ages 50 to 54 who do not live with dependent children, and exemptions are now provided for people experiencing homelessness, veterans, and people ages 18 to 24 who were in foster care when they turned 18. Certain program requirements for states are also modified.