

# Weekly Market Update

January 29, 2024

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*"All that you touch you change.  
All that you change changes you.  
The only lasting truth is change."*

~ Octavia E. Butler

## Market Watch

Week Ending Jan. 26, 2024

(Source: Briefing.com)

• <b>DJIA:</b>	38,109.43	245.63
2024 1st QTR 1.10%		
• <b>NASDAQ:</b>	15,455.36	144.39
2024 1st QTR 3.00%		
• <b>S&amp;P 500:</b>	4,890.97	51.16
2024 1st QTR 2.50%		
• <b>Russell 2000:</b>	1,978.33	33.94
2024 1st QTR -2.00%		
• <b>10 Year Treasury:</b>	4.16%	



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## Dave's Weekly Commentary



Hello everyone. Hopefully you all had a great week and weekend. We are staying busy at the office, and also are reaching out, as I mentioned in last week's newsletter to schedule review meetings. Nancy and I are on a warm weather trip, which we usually take the last week of January into the first week of February. Even though I may not be in the office, usually when away I spend the first few hours of each day checking email, looking at the happenings in the markets, and if needed, check in with the SMC team.

A couple developments to share. Last week, Michael and I sat down with Cole, our financial services co-op from Wright State University's financial services program, and discussed his long-term opportunities with us. Cole has been with us for over a year, and we have enjoyed having him and value him as part of our team. We extended a full-time opportunity to him to stay with us after he graduates in April and he accepted. We welcome his decision.

The markets advanced last week again, and I will speak about that next from more of a Federal Reserve and economic view. There are decades when nothing happens, and there are weeks when decades happen. The coming week may not pack in 10 years' worth of market and economic news, but it is certainly shaping up as the most eventful one for investors so far this year.

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The FOMC meeting takes center stage amid all these happenings, especially Federal Reserve Chairman Jerome Powell's news conference on Wednesday afternoon. The panel won't produce new projections from those released in December, which showed a median expectation of three cuts of one-quarter percentage point each by year end from the current federal-funds target range of 5.25% to 5.5%. There is a small chance that a change in interest rates will be taken. What the markets will be looking for is clarification about the gap between expectations for more rate cuts from the market verse possible smaller ones the panel projects. Fed-funds futures project five and as many as six cuts by December, according to the CME FedWatch site. Those rate-cut expectations ironically come while the stock market hovers near record highs and economic data continue to surprise to the upside.

The primary case for the Fed to lower its policy rate is marked deceleration in inflation. The monetary authorities' preferred measure, the core personal-consumption expenditures index, which excludes food and energy, has slowed to about a 2% annual rate measured over the past three- and six-month intervals, in line with their target. However, it's too early for the Fed to take a victory lap on inflation. Most of the improvement has come from an easing of supply-side constraints that bedeviled the economy during and after Covid. But the supply-chain woes could return, based on an uptick in the New York's Fed's index of those pressures. The low water level in the Panama Canal and

Houthi attacks on commercial vessels in the Red Sea are delaying shipments and pushing up costs. At the same time, the economy continues to grow above trend. Fourth-quarter gross domestic product handily beat economists' projections, showing a 3.3% real (inflation adjusted) annual rate of growth, which followed the previous quarter's 4.9% results.

Additionally next week, data on the state of the labor market are also on tap, and the Treasury will outline its borrowing plans, which has big implications beyond the bond market. Corporate earnings reporting season reaches a crescendo, featuring five of the technology Mega cap companies.

**Last Week's Markets...**The stock market logged gains this week, which brought the S&P 500 to fresh record highs. Gains were broader based compared to last week, which featured the outperformance of mega cap stocks. The market-cap weighted S&P 500 climbed 1.1% this week, as did the Invesco S&P 500 Equal Weight ETF.

The broadening out of buying activity left eight of the 11 S&P 500 sectors higher this week. The energy sector saw the largest gain, jumping 5.2%, followed by the communication services sector, which gained 4.5%. The three laggards to log a decline were consumer discretionary (-1.4%), real estate (-0.5%), and health care (-0.2%).

The consumer discretionary sector was clipped by a large loss in shares of Tesla, which dropped 13.6% this week after disappointing earnings and guidance. Microsoft (MSFT) was a winning standout from the mega cap space, topping a \$3 trillion market cap for the first time this week. This week brought some pleasing data in terms of ongoing strength in the economy and cooling inflation. The Advance Q4 GDP report showed that real GDP rose 3.3% versus an expected 2.0% and the GDP Price Deflator increased 1.5% versus an expected 2.8%.

Personal income increased 0.3% month-over-month in December, as expected, but personal spending increased a much stronger-than-expected 0.7%. The 10-yr note yield settled one basis point higher at 4.16% and the 2-yr note yield dropped five basis points this week to 4.36%. This price action followed Wednesday's \$61 billion 5-yr note auction, which met poor demand, and Tuesday's strong \$60 billion 2-yr note sale. Source: Briefing.com

Have a great week. Dave

Newsletter continues on the next page.

## Cyber Safety Tip: Update

We've all been there. You're scrolling through your phone, computer, or tablet, and a notification pops up.

"Update Me!"

While that isn't the exact wording, the meaning is the same. Something wants to be updated to the most recent version. But the banner gets in your way, and you tab it to the side, thinking you will get to it later. Then we forget it.

This doesn't seem like a big deal. But it turns out updating your programs can be one of the easiest ways to make your life safer in the long run.

Some software updates contain security measures that help patch vulnerabilities that could lead to a cyberattack. They may include safety features that help keep intruders out if your phone is hacked or stolen.

So the next time you get an annoying pop-up asking for an update, take the extra time and get your device up to speed.

It could be the easiest security upgrade you ever have.

*PRO TIP: Some antivirus programs can check your device for updates and keep you current (though it may cost extra, so read up before you click). Hopefully these tips help you protect the documents that you need to make your most important financial decisions. It's equally important to get your financial life organized and safe, so if we can help in any way, let's connect. Protecting your most important documents are just a part of smart financial strategy.*



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## Planning Points

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## The Introverts Have Taken Over the US Economy

During the pandemic, a lot of Americans had to stay home — and many discovered that they preferred staying in to going out.

A hip and sophisticated friend, a longtime New Yorker, complained to me recently about a potential date. "He wanted to meet at 6 o'clock for dinner," she said. "Can you imagine? I don't leave the house until 7:30 at the earliest!" I nodded sympathetically, but as someone who has been known to have an early dinner myself, I couldn't help but wonder: "What does she think this is, 2018?"

While many things are getting back to normal, the pandemic profoundly changed American life — sometimes just by speeding up prevailing trends. The technology already existed to allow many Americans to work from home, for example, but the pandemic normalized it. Americans also shop online far more than they did before Covid.

**One other way the pandemic altered America:** It has created what might be called the Introvert Economy. The time at home made Americans less fun. 2023 was a year for daytime office holiday parties, after all, and in general Americans are going out less. And odds are it will stick: It is the youngest adults who are going out less, and when they do go out, it is earlier.

Take New York City, known for fashionable restaurants and cosmopolitan diners who don't dare arrive at their table before 8 o'clock. Since the pandemic, however, 5:30 p.m. is a more popular time for a reservation than 8. And it's not just New York: Data from the Bureau of Labor Statistics shows that, post-pandemic, younger Americans (under the age of 50) are starting their public evening and drinking activities earlier.

Younger people had already been going out earlier, but the data show they are also less likely to drink. Gen Z is shaping up to be the most sober generation in US history. Singles are also less likely to approach each other in public, preferring the anonymity and clear social boundaries of online meeting. This means less need to be out.

Older generations are still drinking, probably too much. This may explain why spending on alcohol continues to rise, though a smaller share of it is in bars and restaurants.

**Technology has also speeded changes in social habits.** There is evidence that TV schedules once had a big impact on people's schedules. Now that more content is streamed on demand, people may be thinking about their time differently. More choices of at-home-entertainment also may decrease the desire to go out or stay out. This is another trend accelerated by the pandemic — perhaps because when more people work from home, they save time on commuting and can go out to dinner earlier. Or maybe they're just more anxious to get out of the house.

There was a bit of a bump in socializing in 2022, probably in response to years of pandemic isolation. Yet the long-term trend is clear: more time watching TV or playing video games.

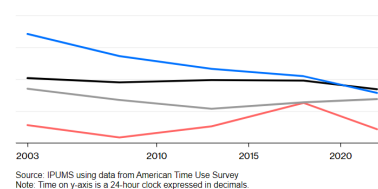
**What does this all mean for the US economy?** As usual, there will be winners and losers. The market for going-out tops and tight V-neck sweaters may well crash, for example — but the outlook is good for athleisure wear. Many bars and restaurants, which depend on alcohol and late nights to remain profitable, might have to find more creative ways to earn a profit and invest more in delivery. The result could be more chain restaurants, which can better leverage economies of scale.

**More seriously, and more long-term,** if the younger generation continues to drink less, they will be physically healthier. But if they continue to socialize less, they may end up less connected. The result could be a decline in mental health and social cohesion. That could be the best argument against today's introvert economy: If you don't have fun now, you'll pay for it later.

### What's Tonight's Early Bird Special?

On average, even younger Americans are now going out to restaurants by 7 p.m.

19 to 29 30 to 49 50 to 69 70+



Source: IPUMS using data from American Time Use Survey  
Note: Time on y-axis is a 24-hour clock expressed in decimals.

### Big Plans for the Weekend? Not Really

Americans are spending less time with each other and more time with their screens



Source: American Time Use Survey, US Bureau of Labor Statistics

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