Weekly Market Update

September 18, 2023

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"Someone's sitting in the shade today because someone planted a tree a long time ago."

– Warren Buffet

Dave's Weekly Commentary

Hello Everyone. I hope you all had a great weekend. It was a busy weekend for Nancy and I traveling to Louisville to listen to some great music at the Kentucky Expo Center. We heard bands like Duran, Duran, Bastille, The Avert Brothers and more. One of those, "I wanted to see" performers was there, Bruno Mars, and he did not disappoint. For one who is not musically inclined, I am always amazed at those talented folks who can sing and or play a musical instrument.

This year's markets Year-to-date the S&P 500 is up 15.9% and the Nasdaq Composite is up 30.8%. Those are nice moves, but they get even better when measured from the lows registered in October 2022. From there, the S&P 500 is up 27.6% and the Nasdaq Composite has gained 35.9%. Those great gains are welcomed for many equity portfolios that went on a crash diet for most of 2022. Of course, when you eat too much or too fast -- or eat too much, too fast -- you are prone to suffer some indigestion. The stock market is no different. When it moves too much, too fast, it will experience a period of indigestion otherwise referred to as a consolidation phase to work off some of the excess. Sometimes the process happens quickly and other times it takes a while.

This process is underway right now for the stock market, we wouldn't characterize it so much as an uncomfortable process of indigestion as we would a normal digestive process.

Where To? The S&P 500 closed the month of July at 4,588.96. It hit a low of 4,335.31 on August 18, and today it is sitting at 4,450. Where it is today, though, isn't as important as where it is going. Where might that be? We don't know o for certain. Nobody does, however. given the headwinds posed by elevated interest rates, valuations, China's economic challenges, and the slow-moving storm that is the lag effect of prior rate hikes not only from the Fed, but also from the ECB, and others. On the other hand, though To be fair, the stock market might not go much lower from here either, especially if earnings estimates hold up, the Fed is done raising rates, and incoming data continue to defy hard landing fears. What we could be looking at, then, is a stock market that needs more time to digest its news cycle(s) which means a market that has more of a sideways disposition with some volatile moments in between.

The returns in the markets so far have been de on the move in the first half of the year. With the market running like it did in the first half of the year thanks to the outperformance of the mega-cap stocks, and in a large part large company growth stock the rise from here will not be easy. Expectations are higher now, earnings multiples for the leadership stocks are more stretched, interest rates are higher, and there is some concern that the economy will be weakening because of the prior rate hikes, which raises the level of uncertainty about earnings prospects. This is why the stock market's digestive process could have a sense of agitation about it that creates a choppy trading environment. The future is inherently uncertain, but there is an elevated sense of uncertainty today about all things that matter for the stock market -- interest rates, monetary and fiscal policy, earnings, inflation, the economy, and the performance of the mega-cap stocks -- and that it is apt to get in the way of conviction on the part of buyers and sellers for the time being. In closing this is simply part of the digestive process for a market.

Last week's markets The Dow Jones Industrial Average eked out a slim gain this week while the S&P 500 and Nasdaq saw modest declines. The beginning of the week was quiet in terms of market-moving events and somewhat light on participation. The second half of the week featured plenty of market-moving events, capped off with a quarterly options and futures expiration day on Friday. Downside moves had the S&P 500 and Nasdaq close below their 50-day moving averages. The major indices had been on track for a winning weak until Friday's retreat. Despite a lower finish at the index level, eight of the 11 S&P 500 sectors closed with a gain.

Information technology, which is the most heavily weighted sector, declined 2.2%. Apple was a top laggard from the info tech sector, dropping 1.8% this week amid reports of ongoing scrutiny in China and following its product event that featured the introduction of the iPhone 15. Adobe was another weak component, dropping 5.6% following its underwhelming fiscal Q4 guidance. Weak semiconductor constituents also contributed to the sector's underperformance. Netflix which is among the top performers this year, lost 10.4% this past week after its disclosure that the ad business is not material yet to its overall revenue. Also, in the news this past week, the United Auto Workers launched targeted strikes at three manufacturing plants (one for each of the Big Three) after being unable to reach a deal on a new contract with the automakers.

Additionally, there was a news on the economic front, chief among it was the August Consumer Price Index report. Total CPI was up a robust 0.6%, as expected, and core-CPI, which excludes food and energy, was up 0.3% (Briefing.com consensus 0.2%). That left total CPI up 3.7% year-over-year, versus 3.2% in July, and core

Newsletter continues on the next page.

Market Watch

Week Ending Sept. 15, 2023

(Source: Briefing.com)

• DJIA: *2023 YTD 4.40%*	34,618.20	41.70
• NASDAQ: *2023 YTD 31.00%*	13,708.30	-53.20
• S&P 500: *2023 YTD 15.90%*	4,450.32	-7.17
• Russell 2000: *2023 YTD 4.90%*	1,847.03	-4.51
• 10 Year Treasury:		4.32%

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Important Document Storage

There are a few important documents that are imperative to know where they are at all times and ensure they are protected from theft and in case of emergency. Often times, these documents can be difficult to find when needed most, so here are some tips on what documents are most important and how to store them.

A safe deposit box is the securest way to store valuables. For documents you need to keep at home, a fireproof and waterproof safe is a great way to ensure important documents and valuables are locked away for safe storage from theft as well as protected in case of unforeseen disaster. Here are four important documents to be sure to protect:

Birth Certificate. A birth certificate is required to enroll in school or the military, get a passport or a marriage license, and, in some cases, a driver's license. The original should be kept in a safe deposit box at your local bank. This goes for any children's birth certificates as well. Make copies and keep them in a fireproof safe.

Social Security Cards. You won't often need your actual Social Security card, but you must provide your Social Security number in many situations and, at times, the physical card is necessary. This is a piece of information that can be detrimental in the wrong hands so don't walk around with it in your wallet or on your person. Keep it in a safe deposit box or a fireproof safe.

Tax Returns. The IRS has suggestions about how long you should keep your annual tax returns. In most cases, you should hang on to them for three years. Keeping the actual paper documents in a fireproof safe is fine, it's also a good idea to make electronic backups, too. Be sure to use two-factor authentication to protect them from hackers.

Travel-related documents. Items such as your passport and visa, should be kept at home when you're not traveling. Before your trip, make copies (in color and black-and-white) and keep the copies in your hotel room safe when you travel. Keep the original documents in a waterproof document wallet and carry them with you at all times when overseas.

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.

CPI up 4.3% year-over-year, versus 4.7% in July. The key takeaway from the report is that core inflation, which is what the Fed monitors more closely, showed ongoing improvement on a year-over-year basis; however, it is still well above the Fed's 2.0% target, reflecting a sticky quality that may not compel the Fed to raise rates further at this point, but which will certainly keep the Fed in a "higher for longer" mindset. Source: Briefing.com.

Planning Points *This article was prepared and legally licensed for use by AdvisorStream. The Wall Street Journal By Leonard Sloane*

Parents Have a New Incentive to Fund '529' Plans

New rules that take effect in 2024 for "529" plans will give owners of such accounts more incentive to fund them and give account beneficiaries a way to jump-start their retirement savings.

But 529 investors should be careful to follow the rules.

One of the provisions of the Secure 2.0 Act, a 2022 law that affects many retirement plans, allows excess funds in these education-savings plans to be rolled over into Roth IRAs tax-free if the Roth belongs to the beneficiary of the 529. Previously, if leftover funds were withdrawn and not used for qualified educational expenses, the 529 owner would owe income tax on the earnings portion of the withdrawal and a 10% penalty would be imposed.

Excess funds, or money left over, in a 529 could be the result of a child winning a scholarship, attending a military academy or deciding not to pursue higher education. The risk of unused money languishing in a 529 plan causes some families to fund their plans conservatively or to not even open an account. Next year's rule change thus could ease the burden on some 529 holders who worried about over-investing in those accounts.

Follow the rules

The potential boost to young people's ability to save for retirement, meanwhile, is another benefit of the rule change. "This is a very valuable tool and an opportunity for young people to start a Roth IRA," says Ian Berger, an IRA analyst at Ed Slott & Co., a tax consulting firm in Rockville Centre, N.Y. "But beware of the restrictions," Berger adds.

First, the Roth IRA must be in the name of the beneficiary, not the owner of the 529 account (if the two are different). There also is a lifetime maximum amount, $35,000, that can be transferred to the Roth from the 529.

Another restriction: The 529 plan must have been open for more than 15 years. And rollover funds cannot include any contributions to the 529 account and earnings on those contributions made in the previous five years.

Rollovers, moreover, are subject to the annual Roth IRA contribution limit. While the 2024 limit has not yet been announced, the limit this year is $6,500. So it would take a number of years before being able to take full advantage of the $35,000 rollover allowance. Of course, the 529 plan beneficiary must have compensation in the year of the rollover at least equal to the amount transferred.

Unresolved issues

There are two unresolved issues that still require clarification by the Internal Revenue Service. Both involve what happens when a 529's beneficiary is changed. The first uncertainty is whether a new 15-year waiting period is established when a 529 account holder changes the beneficiary of the plan. The alternative to "resetting the clock" would be that the waiting period of the previous beneficiary carries over.

The other question is whether the $35,000 lifetime maximum is the total for all rollovers made from an owner's 529 account or the amount allowable for each beneficiary. Experts generally believe that the $35,000 limit is per beneficiary and that amount can be rolled over to the Roth IRA of more than one person.
