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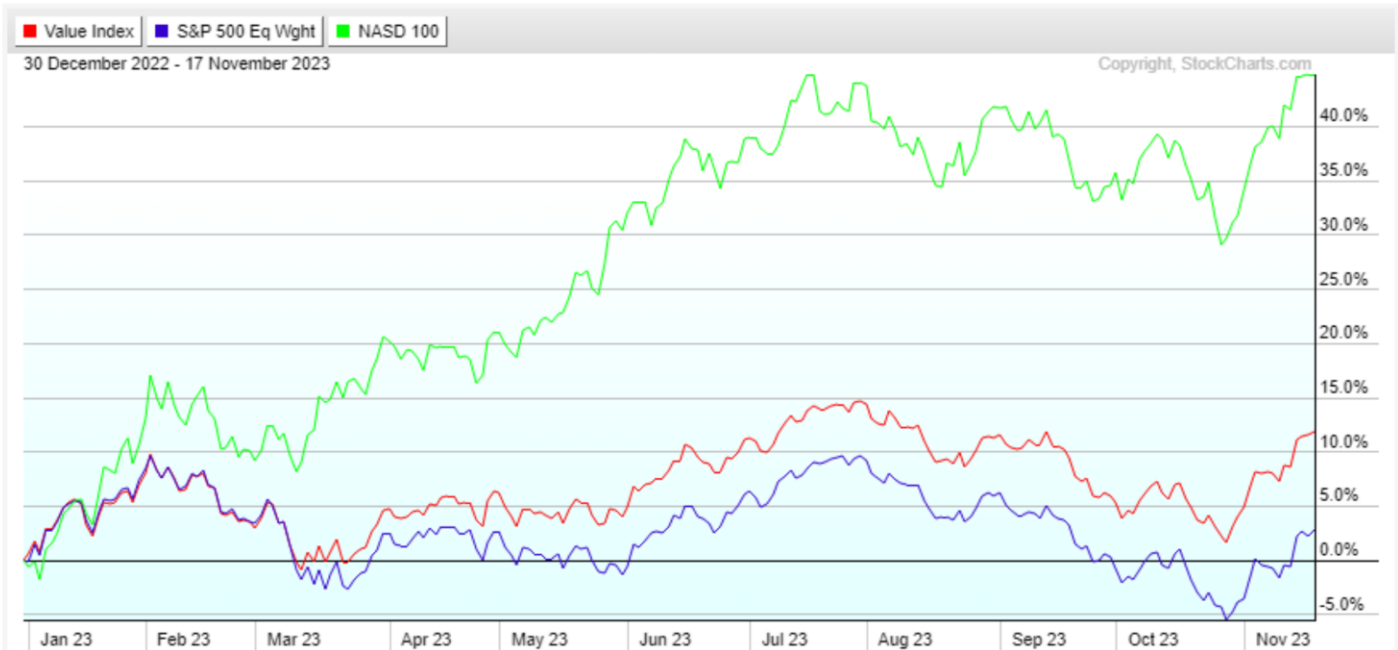
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**Caution May Still Be Needed for Growth Equities 11/21/2023**

Large-cap growth stocks driven by the "Magnificent Seven" have soared in 2023 primarily based on AI mania; the broader large-cap index has barely moved. The "Seven" make up close to 50% of the NASDAQ 100 Index and are also heavily weighted in the S&P500, which is a market value-weighted index. A better index of the broader large-cap market is the S&P500 Equal Weighted Index, which, while still having the "Seven," does not outweigh them based on market capital.

As of 11/17/2023, YTD returns:

**NASDAQ 100 +45%** **S&P500 Equal Weighted +2.7%** **S&P500 Value Index +11.8%**



Wall Street Journal 11/17/2023 article **"What's Behind the Market's Wild Overreactions"** points out that the November market rebound was based on "violent moves in the market based on slim evidence" and a "wild overreaction to some good inflation figures."

"Inflation was lower than expected, so bond yields fell, and stock prices rose, with rate sensitive stocks rising the most." [As discussed in prior updates, growth stocks are the most sensitive equities, since valuations discount future growth expectations to present values.]

"But the scale of the move was out of whack with what happened. Year-on-year inflation was 3.2%, below the predicted 3.3%, not enough to justify the [large gains].

"Short covering accentuated the move. The S&P [S&P 500 market weighted] has had its best two-week stretch since October last year. This type of overreaction keeps on happening.

"Deutsche Bank strategist Henry Allen counts up six other times since 2021 that investors have anticipated a 'dovish pivot' by the Fed, all of which were eventually reversed. Seventh time lucky, perhaps. It will depend on whether economic data keeps coming in weak and whether inflation stays down this time. But there are deeper issues behind the rapid changes in the market story that are unlikely to be resolved soon.

"First is economic volatility. There have been severe shocks that suggested sudden changes were on the way and led to rapid moves in inflation and bond yields: War in Ukraine and the Middle East; trade fights between the US and both China and Europe; the implosion of the British government bond market; and the failures of two big American banks and Switzerland's second largest. More geopolitical, political or financial shocks are entirely plausible."

This and other reports suggest we are still significantly above the Fed's 2% inflation target. There are underlying pressures that may delay more rate hikes - or eliminate them – yet interest rates will likely stay high into mid-2024 or even 2025.

**Wild swings since March 16, 2020, market bottom:  
NASDAQ 100. S&P500 Equal Weighted S&P500 Value Index**



**Avoiding Most Bonds Wise since 2020**

Wall Street Journal 11/17/2023 continued article:

"Geopolitical, political or financial shocks have led to continued extreme volatility in bond yields, seriously affecting stocks and other assets. According to the ICE BofA Move index, the implied volatility of US Treasury [bonds] has been the highest on average over the past year of any time outside the post-dotcom recession and the 2008-09 financial crisis."

**Crash In Long-Term Treasury Bonds Now One of Worst Implosions Ever** *Investor's Business Daily*



"It's time to face the facts: The crash in long-term Treasury bonds is reaching epic proportions. It's right up there with the tech bust of 2000 and the housing debacle of 2009.

"SPDR [Chart], which owns US government debt maturing in at least 10 years, plunged

more than 49% in price from its high in March 2020. That's an unnerving drop even for stocks, which

are expected to be volatile. It's downright devastating for bonds, which investors generally buy in large amounts for stability and income.

"US Treasury bonds (the biggest and deepest market in the world) that mature in 10 years or more have slumped 46% since peaking in March 2020," said Charles Schwab's Jeffrey Kleintop in a Tweet. 'That's just shy of the 49% plunge in US stocks in the aftermath of the dot-com bust at the turn of the century.'"

### **"Time To Stop Candy Coating Bond Crash**

"The implosion in long-term bond prices is now among the ugliest drops in financial history. The bond market's pain is leaving a brutal mark on portfolios."



#### **Action Plan Recommendation**

I continue to recommend a significant portion of portfolios in the more "boring"- but historically less risky - value sector. Or we can lock in about 6% interest for the next 3-5 years on fixed guaranteed annuities.

I continue to not recommend most bond funds due to potential further interest rate risk. As of 11/17/2023, the 10-year treasury yield of 4.44% is lower than the long-term average of 5.87% per Ycharts.

Required Disclosures: Past performance does not assure future results. There is no assurance that objectives will be met. Investments in securities do not offer a fixed rate of return. Principal, yield, and/or share price will fluctuate with changes in market conditions, and when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results.

Investors cannot invest directly in indexes. The performance of any index is not indicative of the performance of any investment and does not take into account the effects of inflation and the fees and expenses associated with investing.

The value of investments in fixed-income securities will change as interest rates fluctuate and in response to market movements. Generally, when interest rates rise, the prices of debt securities fall, and when interest rates fall, prices rise. High-yield securities, sometimes called junk bonds, carry increased risks of price volatility, illiquidity, and the possibility of default in the timely payment of interest and principal. Bonds may also be subject to other types of risk, such as call, credit, liquidity, interest rate, and general market risks. Longer-term debt securities are usually more sensitive to interest-rate changes; the longer the maturity of a security, the greater the effect a change in interest rates is likely to have on its price. Lower-rated bonds may be subject to greater risk than higher-rated bonds.

The S&P 500® Equal Weight Index is the equal-weight (EWI) version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance. The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure the performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P500 Value Index measures the performance of value stocks within the S&P500 index, considering book value, earnings, and sales-to-price valuations. It previously was a Citigroup Index.

The Nasdaq-100® is one of the world's preeminent large-cap growth indexes. The companies in the Nasdaq-100® include 100-plus of the largest non-financial companies listed on the Nasdaq Stock Market based on market capitalization. The Nasdaq Composite Index is a market capitalization-weighted index of more than 3,700 stocks listed on the Nasdaq stock exchange. It is heavily weighted toward the technology sector. All guarantees associated with annuities are backed by the claims-paying ability of the issuing insurance company.

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