

Weekly Market Update

November 28, 2022

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If you truly love nature,
you will find beauty everywhere.

~ Laura Ingalls Wilder

Dave's Weekly Commentary



Good morning, everyone. I hope you all had an enjoyable and restful Thanksgiving holiday. Nancy and I certainly had a nice long weekend, or at least sort of. I decided to go to the office for a few hours on Friday, even though we were officially not open. My plan was to get together with a few of my old Kroger friends and head out for that one last round of golf, but with the rain on Friday, and barely above 50-degree weather, we decided to plan for another time for all of us to get out for lunch or dinner.

Other events this weekend included the football games as we come to the end of regular season play. As I'm writing this week's newsletter shortly after the Ohio State Buckeyes just got beat by "the team up north" – the Michigan Wolverines. We will see what happens as other teams start playing for their conference championships, as to where the Buckeyes land in the rankings.

Nancy and I also picked up our Christmas tree this past weekend, a little early for us, but with the demand increasing over the years, we thought we would go early. Now if you want a live tree that you cut down, you need to make an appointment along with a deposit. Times certainly do change. Much like the markets.

The S&P 500 is now just a (for those golfers amongst you) sand wedge away from entering a key resistance zone defined by the 200-day moving average (at about 2060) and the downtrend line connecting the Jan 3, Mar 30, and Aug 16 pivot highs (at about 2075). We should also note that the Dow Jones Industrial Average closed at a new seven-month high this past Wednesday.

All this led to another winning week for the stock market amid thinner holiday trading conditions. The gains were consistent +623 with a seasonal bias considering the market normally trades with a positive disposition during Thanksgiving week. The seasonality helped to offset the market's ongoing growth concerns, which were put on the backburner this week despite more news about China's COVID-related measures. China confirmed its first COVID-related deaths in six months and new lockdown measures have reportedly brought Beijing to a near standstill.

Aside from the seasonality factor, the upside bias was fueled by better-than-expected earnings reports from retail companies like Best Buy, and Abercrombie & Fitch, along with some names from the tech space like Analog Devices, and Dell Technologies. Farm equipment company Deere was also among the more notable earnings-driven winners. Another individual this past week was Disney, which traded up on the news that Bob Chapek stepped down as CEO and that former CEO Bob Iger is coming back to run things for a two-year stint.

Movement in the Treasury market was generally supportive of the stock market this week. The 10-yr note yield fell 13 basis points to 3.69% and the 2-yr note yield fell 2 basis points to 4.48%. Market participants also had quite a large amount of economic data to digest this past week. Some reports, like October Durable Goods Orders, October New Home Sales, and the November University of Michigan Index of Consumer Sentiment, were better than expected, but others, like the Weekly Initial Claims and Preliminary November IHS Markit Manufacturing and Services PMIs, were worse than expected.

The FOMC Minutes for the November 1-2 meeting revealed that, "a substantial majority of participants judged that a slowing in the pace of increase would likely soon be appropriate." This corroborated the market's notion that the Fed is likely raise rates by 50 bps in December versus a 75-bps rate hike. We will see if that is the case as we get closer to the December 13-14 FOMC meeting.

In summary, all 11 S&P 500 sectors closed with a gain this week. The materials (+3.0%) and utilities (+2.9%) sectors sat atop the leaderboard while energy (+0.2%) showed the slimmest gain as market participants continue to deal with growth concerns. Source: Briefing.com

Have a good week, and hopefully as we enter into December later this week, we can finish the year out on a positive note. Dave



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It's why we do what we do.



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Bitcoin: The Original Cryptocurrency

The Wild West rides again

Bitcoin is not backed by either a government or any physical asset such as gold. Major exchanges are located around the world, and the decentralized nature of the system makes it more challenging for government regulators to get a handle on it. Unlike accounts at FDIC-insured banks, there is no protection for possible loss from a digital wallet. Moreover, a fraudster could pose as a crypto exchange, intermediary, or trader in an effort to lure victims to send money, which is then stolen.

In September 2021, China's regulators issued a total ban of all crypto transactions and mining, citing systemic risks. So far, regulatory oversight of Bitcoin by the U.S. government has been spotty, but change may be afoot. On March 9, 2022, President Biden signed an executive order directing financial regulators to study the risks and the potential benefits of digital assets and their underlying technologies, including the possible creation of a digital dollar by the Federal Reserve. Several different federal agencies will evaluate the potential impact of cryptocurrencies on consumers, investors, the stability of the financial system, and national security.⁷ Regulators were given about six months to report their findings, which are expected to form the basis of a coordinated approach to regulating a rapidly growing cryptocurrency market worth about \$1.75 trillion at the time the order was signed.⁸

The Internal Revenue Service has already said it will treat Bitcoin holdings as property rather than as a currency for tax purposes. This means the sale or exchange of bitcoins that have gained in value since they were acquired could potentially trigger a tax liability. Also, payments made in bitcoins are subject to the same information reporting requirements as any other payments made in property. And wages paid in bitcoins must be reported on a W-2 form and are taxable as income, like any other wages.

Speculation hasn't been limited to the currency itself. Much as the Internet did in its early days, Bitcoin has spawned an entire ecosystem of startup companies and venture capitalists that are building out cryptocurrency technologies and products. As with early Internet companies, such ventures are likely to involve a high degree of uncertainty and risk.

Obviously, cryptocurrency still faces a lot of challenges. If you're considering exploring Bitcoin, either for transactions or as a speculative investment, do plenty of research before you jump in. You should also be prepared for dramatic price swings and only use money that you aren't relying on for something else.

- 1) Yahoo! Finance, March 17, 2022
- 2) The Wall Street Journal, February 19, 2021
- 3) The Wall Street Journal, October 19, 2021
- 4) The Wall Street Journal, February 2, 2018
- 5) Yahoo! Finance, September 30, 2021
- 6) Reuters, September 24, 2021
- 7) White House Fact Sheet, March 9, 2022
- 8) The Wall Street Journal, March 9, 2022



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