

Weekly Market Update

February 19, 2024

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"If you want others to be happy,
practice compassion.
If you want to be happy,
practice compassion."

~ Dalai Lama

Market Watch

Week Ending Feb. 15, 2024

(Source: Briefing.com)

• DJIA:	38,627.99	-43.70
2024 1st QTR 2.50%		
• NASDAQ:	15,775.65	-215.01
2024 1st QTR 5.10%		
• S&P 500:	5,005.57	-21.04
2024 1st QTR 4.90%		
• Russell 2000:	2,032.74	0.30
2024 1st QTR 0.30%		
• 10 Year Treasury:	4.30%	



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Dave's Weekly Commentary



Good morning everyone. This past weekend was calm for Nancy and me. We spent some time getting caught up on some back burner projects, such as continuing to purge or give away items we have collected over the years. We also went to the UD basketball game on Saturday afternoon. As much as we like basketball, it is sad to see the regular seeing shortly come to an end, with Dayton only having two more regular season home games and my alma mater, Wright State also only having two home games left.

Our office is open today, however the financial markets are closed in observance of President's Day. Additionally, Michael is on a short and well-deserved vacation and will be back in the office this coming Wednesday. We have tried not to disturb him while he and his family are enjoying their time off.

As far as the markets are concerned... it was a losing week in most of the broad-based indexes, with the Nasdaq leading the way, which was primarily fueled by a hotter inflation number that came out on Tuesday. I would like to stop for a minute and remind everyone how extraordinary the stock market's performance has been since the lows last October. Since its low on October 27, the S&P 500 has returned 22.6%, The Nasdaq, which saw an earlier low on October 26, is up 26.5%.

There have been multiple precipitants for this market move:

- The Treasury Department's calming quarterly refunding plan announced in October
- Lower interest rates
- Improving inflation trends
- Expectations that the Fed is done raising rates and will shift this year to cutting rates
- Assumptions that the U.S. economy will avoid a recession
- Short-covering activity
- Performance chasing/momentum buying
- Increasing equity allocations from underweight (or sidelined) positions
- Rising earnings estimates

The earnings situation is much improved. S&P 500 earnings declined three straight quarters from the fourth quarter of 2022 through the second quarter of 2023. The third quarter of 2023 saw a 5.3% year-over-year growth, according to FactSet; meanwhile, the fourth quarter blended growth rate sits at 3.1%. First quarter 2024 earnings are projected to be up 3.7% and calendar 2024 earnings are projected to rise 10.9%. As noted in last week's newsletter, the S&P 500 was trading at 20.4x forward twelve-month earnings, which was 16% premium to its 10-year average. As of Friday, it still trades at 20.4x forward 12-month earnings -- but this is where the earnings estimate picture fails to measure up relative to the stock market's performance.

The gap between the price of the S&P 500 and the forward earnings estimate is the footprint of multiple expansion. That's a fancy way of saying stock prices are going up faster than earnings estimates. Multiple expansion is not necessarily a bad thing. You see it in bull markets as performance chasing kicks in, or the fear of missing out on further gains compels added buying interest. Naturally, what you also hear amid multiple expansion is a lot of rationalization of the move:

- "The company is going to grow into its valuation."
- "Analysts aren't fully understanding the company's growth prospects."
- "The stock can sport a premium valuation today, because interest rates will be lower in the future."
- "The stock is overvalued based on 2024 estimates, but if you look at it based on 2026 earnings estimates, then it isn't overvalued."

It all sounds reasonable in the moment -- unless the moment arrives that changes those growth expectations. So, yes, the market could move higher if the forward earnings estimate remains static, however it is certainly a time to keep a watchful eye on the upcoming and projected earnings estimates.

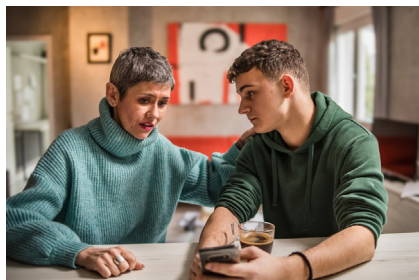
Last week's markets... The stock market experienced mixed price action this week. Tuesday's trade featured a broad, sharp retreat in response to a hotter than expected CPI (0.3%) and core CPI (0.4%) for January, which also sent Treasury yields higher. By the end of the week, however, the major indices managed to win back much of that lost ground. The Russell 2000, for example, sank 4% on Tuesday, but ultimately settled 1.1% higher on the week. The market-cap weighted S&P 500 declined 0.4% this week, but the equal-weighted S&P 500 jumped 0.7%. Four of the 11 S&P 500 sectors closed lower than Friday while five of them climbed more than 1%. The heavily weighted information technology sector saw the sharpest drop, down 2.5%, followed by the communication services sector, which fell 1.6%. On the flip side, the materials (+2.4%) and energy (+2.2%) sectors saw the biggest gains.

The 2-yr note yield settled 15 basis points higher this week to 4.65% in response to this week's data and the 10-yr note yield rose 11 basis points this week to 4.30%. Source: Briefing.com

Newsletter continues on the next page.

Planning Points By Veronica Dagher, The Wall Street Journal. This article was legally licensed by AdvisorStream. For more helpful articles, visit our blog at <https://www.smithmosesandcozad.com/blog>

These Families Are Shutting Down the Bank of Mom and Dad



Parents are cutting the financial cord with their adult kids later than ever. They hope it isn't awkward.

The parents have been paying the monthly phone bill and covering rent for far longer than in prior generations. Some are helping their children with down payments to buy homes. Others are putting a roof over their kids' heads well into their 20s and 30s to help them save because they can't cover rising costs of living.

That comes with a price tag. More than a quarter of parents who are helping their children financially said it caused them to postpone retirement, according to a recent Credit Karma survey. More than half had to cut back on living expenses and about a third took on debt. Feeling stretched, they are negotiating the terms of separation.

Nancy Clark and her then-28-year-old son, Reid Clark, had just sat down to dinner in June 2022 when the conversation turned to when he would move out. The topic had come up before, but this time they decided to set a date one year later.

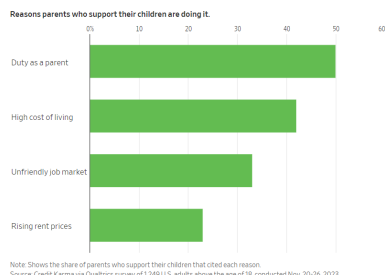
Nancy, now 60, said she remembers thinking: "I know that becoming financially independent needs to feel a little painful."

Reid set off on his own last June. He ditched a job managing his family's three ice cream shops in New Hampshire for a gig as the assistant to a professional ice hockey team's mascot in St. Paul, Minn. He also works at an M&M's store.

Nancy bought him groceries when he moved in and occasionally gives \$50. By this June, Reid will no longer get any financial help if he's short. He hasn't needed to hit up his mom for rent money in the past few months. "I want to chart my own path in life," he said.

Taking such a gradual approach and framing the conversation around gaining financial independence give it a positive spin, said Rocky Fittizzi, a wealth strategies adviser at Bank of America Private Bank. Telling your children you're cutting them off suggests it is a punishment.

An emotional decision Many adult children are living at home, or moving back in, to save money. The cost of food and rent have jumped, and more college graduates are saddled with student debt. The share of 25-to-29 year-olds with student loans rose to 43% in 2022 from 28% in 1992. The rise was even bigger for those between 30 and 34, according to a recent report by the Pew Research Center.



Some 20% of men and 12% of women between 25 and 34 years old lived at home last year, far higher than two decades ago, according to Census Bureau data.

During the pandemic, layoffs and money strains forced some adult children and their parents to live together and share finances, said Arne Boudewyn at Insights Squared Consulting Group, a family wealth consulting company.

Worries over losing the close bonds forged during those years may add to the stress of ending monetary help, financial advisers said.

"Letting go is often harder for parents these days because we need to feel needed as much as we want to feel wanted," said Bobbi Rebell, the founder of Financial Wellness Strategies, which gives workshops for parents about how to teach their children to be financially responsible.

Tough love, but not too tough Pam Lucina still remembers the day about 30 years ago when her father told her she was off the payroll. She was in her first year of law school. Her parents had paid for her undergraduate education. Because she assumed they would pay for law school too, she had chosen a pricey school. She graduated with \$40,000 in student debt and couldn't afford to contribute to her 401(k) for about five years.

"I know that my parents sacrificed to give me what they did and I'm grateful for all of their past support but I wish I had been more prepared," said Lucina, 52, now an executive vice president at Northern Trust.

Lucina said the experience was a main reason she became a financial adviser. She has three daughters, and recently asked the oldest to complete her own college financial-aid form.

She tells clients that even if they have good intentions when cutting off their kids, it can feel to the children as if their parents are withholding money to punish them. "Assure them that love is not contingent on finances," she said.

Create an exit strategy There are times when financial help is necessary. With a health issue or addiction, parents often use a special needs trust, where funds typically go directly to the child's treatment and recovery. Others may opt to help children temporarily after a layoff. But financial advisers said parents need to set boundaries.

Ashley Kaufman's parents told her she would need to move out of their Manhattan apartment, where she was living rent-free, once she saved \$100,000 for a down payment on her own place.

The cybersecurity consultant hit her goal by the time she was 25, but she wasn't sure she was ready to move out right then. She enjoyed seeing her younger siblings regularly and playing with her family's dog named Waffles, she said. Her parents encouraged her to go to some open houses anyway.

Kaufman, who is the stepdaughter of Rebell from Financial Wellness Strategies, is now 27. She bought her apartment around two years ago. She's happy to be building equity in her place.

"I'm glad my parents gave me a little nudge," she said.