

Stocks continued their upward climb last week as excitement around big tech continued; positive economic reports stoked investors' belief that the Federal Reserve has pulled off a soft landing.

Stocks Power Ahead

Big tech was back last week, pushing the Dow and the S&P 500 to new highs early in the week as markets resumed the late Q4 rally.

The so-called "Magnificent Seven" stocks—comprising 28% of the S&P 500 Index—resumed their pole position at the head of the pack as investors maintained their artificial intelligence (AI)-related bullishness and rewarded widespread cost-cutting at many tech giants. While the rally fizzled on Friday, the week's gains were slow but steady.^{1,2,3}

The big economic news last week was better-than-expected economic growth and inflation news. Real Gross Domestic Product grew at a 3.3% annualized clip in Q4 2023, ahead of Wall Street consensus expectations of 2%.

The Personal Consumption Expenditures (PCE) Index, one of the Fed's most favored inflation gauges, showed core inflation (excluding food and energy) cooled in December, with an annualized rate of 2.9%, beating consensus expectations. Core inflation was 3.2% on an annualized basis—its lowest level since March 2021. While the inflation update didn't move markets much, it helped validate investors' optimism that Fed policy has maintained economic growth while bringing inflation down.⁴

MARKET INSIGHTS



YCHARTS

Major Index Return Summary				
Name	ROC 5	1M TR	YTD TR	1Y TR
Dow Jones Industrial Average	0.65%	1.59%	1.20%	14.69%
MSCI EAFE	2.00%	0.57%	-0.56%	9.14%
Nasdaq Composite	0.94%	2.56%	2.98%	35.37%
S&P 500	1.06%	2.54%	2.62%	22.43%

S&P 500 Daily Close



10-Year Note Review

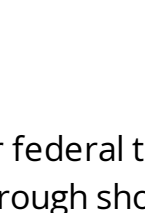
Indicator Name	Latest Value	1M Ago	1M Change
Date		3M Ago	3M Change
		1Y Ago	1Y Change
10 Year Treasury Rate	4.15%	3.89%	6.68% ▲
01/26/24		4.86%	-14.61% ▼
		3.49%	18.91% ▲

Earnings Season Feeds FOMO

The market digested Q4 earnings news from some of the largest companies, with enthusiasm feeling like FOMO. The "fear of missing out" drove much investor sentiment and seemed to build market momentum.

While the enthusiasm for AI continues to be one driver of technology stock prices, the spotlight last week was on layoffs. Over 23,000 workers at 85 tech companies have lost their jobs this month. The market appears to be rewarding the cost-cutting measures, with many tech giants repositioning themselves with AI in mind, and some analysts inferring that this emphasis on efficiency may encourage investors.^{5,6}

FOOD FOR THOUGHT



Budget Check Up: Tax Time Is the Right Time

Every year, about 140 million households file their federal tax returns. For many, the process involves digging through shoe boxes or manila folders full of receipts; gathering mortgage, retirement, and investment account statements; and relying on computer software to take advantage of every tax break the code permits.

It seems a shame not to make the most of all that effort. Tax preparation may be the only time of year many households gather all their financial information in one place. That makes it a perfect time to take a critical look at how much money is coming in and where it's all going. In other words, this is a great time to give the household budget a checkup.

Six-Step Process A thorough budget checkup involves six steps.

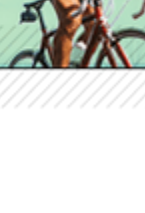
- 1. Creating Some Categories.** Start by dividing expenses into useful categories. Some possibilities: home, auto, food, household, debt, clothes, pets, entertainment, and charity. Don't forget savings and investments. It may also be helpful to create subcategories. Housing, for example, can be divided into mortgage, taxes, insurance, utilities, and maintenance.
- 2. Following the Money.** Go through all the receipts and statements gathered to prepare taxes and get a better understanding of where the money went last year. Track everything. Be as specific as possible, and don't forget to account for the cost of a latte on the way to the office each day.
- 3. Projecting Expenses Forward.** Knowing how much was spent per budget category can provide a template for projecting future expenses. Go through each category. Are expenses likely to rise in the coming year? If so, by how much? The results of this projection will form the basis of a budget for the coming year.
- 4. Determining Expected Income.** Add together all sources of income. Make sure to use net income.
- 5. Doing the Math.** It's time for the moment of truth. Subtract projected expenses from expected income. If expenses exceed income, it may be necessary to consider changes. Prioritize categories and look to reduce those with the lowest importance until the budget is balanced.
- 6. Sticking to It.** If it's not in the budget, don't spend it. If it's an emergency, make adjustments elsewhere.

Tax time can provide an excellent opportunity. You have a chance to give your household budget a thorough checkup. In taking control of your money, you may find you are able to devote more of it to the pursuit of your financial goals.

Quote for the Week:

"Successful people aren't those without problems, they are those who have learned to solve their problems."

HEALTHY LIVING TIP



Four Tips to Help You Sleep Better

Sleep is one of the most important things we do to stay healthy and energized. Much more goes into getting a good night's sleep than simply resting your head on the pillow, so here are some tips for getting your shut-eye:

- Increase bright light exposure during the day. You probably already know that it helps to keep your room dark while you sleep, but did you know it's also beneficial to get enough bright light during the day? These contrasts tell your body when it's time to go to sleep. This natural clock is called your circadian rhythm.
- Reduce blue light exposure in the evening. The luminance from our devices (smartphones, tablets, and TVs) is called blue light and can disrupt your sleep cycle. Try to limit blue light at least two hours before bedtime. Some devices offer a setting that automatically "warms" the light to limit these blue hues.
- Try to wake up and sleep consistently, even on weekends, as this is another way to set up your body's circadian rhythm for success.
- Adjust your bedroom temperature. Did you know that the temperature in your bedroom can affect your sleep? Some studies show that temperature matters even more than noise, and some sleep experts recommend keeping your bedroom at around 70 degrees.

Tip adapted from Healthline⁸

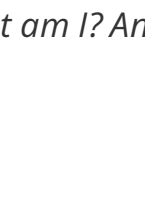
WEEKLY RIDDLE



What five-letter word becomes shorter when you add two letters to it?

Last week's riddle: I am gentle enough to soothe the skin, light enough to reflect the sky, yet hard enough to crack rocks. What am I? Answer: Water.

PHOTO OF THE WEEK



Sleepy koala on a eucalyptus tree

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