Friday Forethought

For week ending January 6, 2023

So Far – the New Year Feels Like It

We opened the year on a less than positive note as the market closed in the negative – led by high flying tech stocks and continued pressure on the technology sector. High rate pressure continued to plague this sector, which in addition to higher rates, is also seeing layoffs that are happening faster than at any time during the pandemic (wsj.com). As well, the U.S. purchasing manager's index (PMI) came in lower than expected, representing the fasted drop since May 2020; at the same time, construction spending for November was up, which may indicate that industry is recovering (cnbc.com). On Wednesday, the market took off with a positive momentum, only to be stifled by the minutes from the Federal Open Market Committee (FOMC), which revealed that the Fed plans to remain on the aggressive side of higher rates until there is adequate evidence that the rates are sufficient to keep inflation in check. This news combined with strong jobs data (the Job Openings and Labor Turnover report) from November, fueled angst that the Fed is likely to stay in hiking mode – and as such, sent the market down further. HOWEVER, today the December jobs report showed that the pace of job creation cooled for the month as did wage gains. Next week, if the inflation report comes out as expected/hoped for, it could have significant impact on the market's momentum as well.

Most of the rhetoric lately is pointing towards a recession - the severity and length, to be determined; but overall, the sentiment is that it should be mild. Fortunately, there are a number of factors that could make 2023 a disinflationary year. Experts anticipate that the Gross Domestic Product (GDP) likely improved the second half of 2022 and that inflation declined recently, even though it remains too high, overall. Many feel that the current policy is not yet restrictive enough, but is moving closer and will reach that level this year. This can signal to markets that the Fed may back off the more than 5% terminal rate before pausing or pivoting rate hikes, and pushing stocks above their recent lows (cnbc.com)

For those invested in the technology sector – yes, it was beaten up last year, but as we anticipate the market pivoting later this year, those stocks stand to have some potential significant gains. Many of you have asked if it's time to get out or buy more. The answer is not that simple, as it depends on your particular situation. For those with higher cash positions, we are finding that there are more conservative and stable fixed income investments that are paying decent returns; especially as compared to some of the more volatile equities. If you have any questions about your account of the market, in general, please feel free to call.

Technology and internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.
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Leading Trends

The S&P 500 Communication Services Sector and S&P 500 Financials Sector are the leading sectors year-to-date: up 1.94% and up 1.03% respectively

Lagging Trends

S&P 500 Energy Sector and S&P 500 Information Technology Sector are the lagging sectors year-to-date: down 2.70% and down 1.65% respectively.

Weekly Markets

S&P 500	3808.05	-1.07%
NASDAQ	10,305.24	-1.65%
DJIA[1]	32929.72	-0.88%

[1]Dow Jones Industrial Average

10-YR US Treasury	3.713%	-10.7 bps
GOLD	1838.70	+0.93%
OIL	73.70	-6.37%

Market close 12-29-2022 to market close 1-5-2023

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