

Friday Forethought

For week ending January 27 2023

Market is Carrying Some Momentum...

The market began the week on a positive note, on the heels of the three positive weeks in a row, combined with data released last week that showed a decline in wholesale prices and retail sales, along with commentary from the central bank officials that seemed to signal a slowdown. Net overall, stocks rose slowly but steadily this week. As investors weighed the mixed news of the week (mixed corporate earnings, GDP coming in above expectations, etc.), the market proved to be resilient – even erasing earlier losses on some days. This consistency had investors weighing the possibility of the Fed finally slowing down the pace of its aggressive rate hikes. As well, we are starting to see a wider array of economists and analysts view the current market data as encouraging - from both technical and practical standpoints. Other positive news showed that mortgage applications increased for the third consecutive week, while refinancing activity surged 62% during this same time (mortgage rates have dropped almost 1% from its 7.08% peak last November - wsj.com). If you have any questions or would like additional information, please let us know – we will be happy to point you in the right direction.

We do not often speak of technical analysis in this newsletter, but thought you might find the 'Golden Cross' situation to be interesting...

First, a 'golden cross' occurs when the 50-day market moving average moves above the 200-day moving average; and conversely, a 'death cross' occurs when the 50-day is below the 200-day. Both the Dow and S&P 500 have flashed in this range (the NASDAQ still has a way to go, due to the volatility of the technology sector). The good news is that a golden cross is typically followed by a technical buy signal, which subsequently is followed by strong market growth. A death cross does the complete opposite (for reference, a death cross was flashed in March of last year and the market went on to fall another 16% to its low. marketinsider.com).

Our Take



We still have a few weeks to go in this earnings season, and are awaiting confirmation of the anticipated Fed rate hike, inflation numbers, etc., so we are not out of the woods yet. Fourth-quarter earnings for the technology sector are expected to be hit the hardest, but could continue to be the biggest beneficiary of positive market momentum. Layoffs appear to be spreading out of the technology sector, but have yet to dent the strong job market. Experts believe that this could mean that a recession may come later, or not at all. Experts expect most sectors to report weaker than expected fourth-quarter earnings (except for energy) and we will have to see how that plays into the big picture. If you are still on the sidelines with cash, it is not quite yet the time to jump back in completely to the equity market, but now could be a time to consider dollar cost averaging. Fixed income returns are still attractive and could be a good solution for those looking for a more conservative alternatives. If you have any questions or would like to discuss anything further, please feel free to call us.

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Leading Trends

S&P 500 Communication Services Sector and S&P 500 Information Technology Sector and are the leading sectors year-to-date: up 13.62% and up 8.96% respectively.

Lagging Trends

S&P 500 Utilities Sector and S&P 500 Consumer Staples Sector are the lagging sectors year-to-date: down 2.38% and down 1.99% respectively.

Weekly Markets

↗	S&P 500	4,060.33	+4.14%
↗	NASDAQ	11,512.41	+6.08%
↗	DJIA ¹	33,948.29	+2.73%

¹Dow Jones Industrial Average

↗	10-YR US Treasury	3.492%	+9.23 bps
↘	GOLD	1,930.00	-0.20%
↘	OIL	81.02	-0.55%

Market close 1-19-2023 to market close 1-26-2023

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