

Friday Forethought

For week ending February 3rd 2023

New Year Continues To Look A Little Happier

Another positive week which helped cap off the best January the market has seen in a quite a while. All three indices were up as the S&P 500 notched its best start to the year since 2019, and the NASDAQ surged to its best January since 2001; and the DOW finished up 2.8% for the month. Throughout last month, investors had been reacting positively to the likelihood that the Federal Reserve would be easing their pace of interest rate hikes, and that inflation would continue to soften. There was also encouraging news emerging from the housing market, as homebuilder sentiment jumped in January, for the first time in a year. That, combined with a gradual decline in mortgage rates could spur the next growth cycle, as well as, be an indicator for a "softer landing" in the economy.

As widely expected, the Fed raised rates by another 25 basis points (0.25%), and Fed Chair Powell was relatively upbeat in his cautiously optimistic comments that appeared to give him a hedge on future rate hikes and cuts. He said the economy's disinflationary process had started, but it's premature to declare victory against inflation, just yet. He also stated that he expects 2023 to be a growth year, albeit at a "subdued pace," while at the same time, the Fed will not hesitate to step in, if the need arises. But reading between the lines, this was actually quite positive for him as he even hinted at a scenario where a rate cut could be possible.

Our Take



There is still a lack of clarity in future interest rate moves which can be seen as a signal that the Fed is approaching the end of its rate tightening cycle; so, there is a decent chance that the central bank will sit tight for a while, as the economy catches up with the previous hikes. As we said last week - 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
S&P 500 Consumer Discretionary Sector
and are the leading sectors year-to-date:
up 23.56% and up 20.78% respectively.

Lagging Trends

S&P 500 Health Care Sector and S&P 500
Energy Sector are the lagging sectors year-
to-date: down 2.22% and down 1.77%
respectively.

Weekly Markets

↑	S&P 500	4,179.76	+2.94%
↑	NASDAQ	12,200.82	+5.98%
↑	DJIA ¹	34,053.94	+0.31%

¹Dow Jones Industrial Average

↓	10-YR US Treasury	3.406%	-9.37 bps
↓	GOLD	1,926.10	-0.13%
↓	OIL	75.84	-6.39%

Market close 1-26-2023 to market close
2-2-2023

David Clarke
Managing Director – Investments

Kathy Sowl Chelini
First Vice President – Investment Officer

Mark Passalacqua
First Vice President – Investment Officer

Justin Pribilovics-Wade, CFP®
Financial Advisor

2 Theatre Square | Suite 210
Orinda, CA 94563

(925) 253-4307
(855) 282-1840

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