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JANUARY MARKET COMMENTARY

By Tom Crow

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Index	Month End	Gain (Loss) by Period (ending December 31, 2023)			
		Month	Most Recent Quarter	Year-to-Date	Trailing Twelve Months
Dow Industrials	37,690	4.8%	12.5%	13.7%	13.7%
S&P 500	4,770	4.4%	11.2%	24.2%	24.2%
Nasdaq	15,011	5.5%	13.6%	43.4%	43.4%
Gold	2,062.40	1.3%	10.3%	13.8%	13.9%
Silver	23.79	(4.9%)	3.1%	(0.7%)	(0.7%)

Hello everyone, and Happy New Year!!!

I just wanted to check in quickly with an updated year end table (above), and a brief head's up for what will likely be a busy week in the markets. I also wanted to let you know I will be trying to resume the monthly updates. As you may or may not know, our custodian for over 20 years (TD Ameritrade) was acquired by Charles Schwab & Co. The transition in early September did not go as smoothly as expected and has kept us quite swamped.

As you can see from the above table, the indices did quite well in 2023. If you're not happy with your portfolio's relative performance, it may be time to consider adding a bit more exposure to risk. Call me if you need to discuss.

Hat tip to Isabel Wang at CBS MarketWatch for some of what follows...

The December jobs report, which will come out Friday, "will have everyone laser-focused" according to an unnamed strategist. As you also may or may not know, I was a laser & electro-optical engineer in my former life, so this phrase has driven me crazy since Bill Clinton started using it to talk about how his team was concentrating on the economy.

Why? Because "laser focus" is a nonsensical term. Laser output (which is only sometimes visible light) does not focus by itself. Only lenses can focus laser output, and it's the high quality of some laser's output that allows it to be focused to a sharper point than ordinary white light, but I digress...

Investors have a lot of important events to watch this week, including the Fed's monetary-policy meeting, the December employment report and an onslaught of earnings from megacap technology names, including Alphabet Inc. (GOOG), Microsoft Corp. (MSFT), Apple Inc. (AAPL), Amazon.com (AMZN) and Meta Platforms (META), all of which promise insight into the state of the economy and interest-rate outlook.

U.S. stocks got a boost last week from encouraging data which showed the inflationary pressures continued to moderate in December, the latest sign that price increases are slowing down significantly amid a strong economic growth to conclude 2023.

The S&P 500 index closed at a record high for five straight trading days, which was the longest streak of its kind since November 2021. The index finished slightly lower on Friday, but clinched weekly gains of 1.1%, while the Nasdaq Composite COMP advanced 1% and the blue-chip Dow Jones Industrial Average DJIA gained 0.7% for the week, according to Dow Jones Market Data.

I call what we're seeing FOMO (fear of missing out). Robert Schein, chief investment officer at Blanke Schein Wealth Management says, "market participants are still playing catch-up from 2023, putting money on the sidelines to work...trying to eke out gains as quickly as possible, so it's very short-term oriented until we get big market-moving events," one of which could well be a disappointing Fed speech.

While no interest-rate change is expected for the central bank's first policy meeting this year, some analysts think comments from Fed Chair Jerome Powell during his news conference on Wednesday are likely to shift the market's expectations and push back against forecasts of a March cut.

Expectations are that the Fed might begin easing monetary policy as early as March of this year, instituting five or six quarter-point rate cuts by December and bringing the fed-funds rate down to around 4-4.25% from the current range of 5.25-5.5%. But, the Fed may have good reasons to push back a bit on rate cuts including the recent stock-market rally, "too-dovish" signals from the Fed's December meeting, a still-resilient labor market and escalating Middle East conflicts. All these could indicate that the Fed has little choice but to keep the "[monetary] tightening bias" this week.

Further, a shift to "neutral bias" won't automatically mean rate cuts since the Fed still needs to get to "easing bias" before they actually start trimming rates.

Investors have also been looking for clear signs of a slowing labor market to prompt the central bank to start cutting rates. Investors who focus solely on the monthly, headline employment number, or the weekly unemployment number are making a mistake. Those numbers can fluctuate wildly from week to week, or month to month. I choose to look at the trailing twelve-month moving averages of not only the monthly report, but the following two months' revisions. This not only smooths out the short-term volatility, but helps better define a trend, if there is one. That analysis has shown me the following three things.

First, in all but one month since January of last year, the second revision of the monthly employment number, has been lower than the original release, meaning the originally released numbers have been consistently overestimated.

Second, the finally revised number from this October was more than two hundred thousand jobs less (47% less) than the same number from twelve months earlier. That's an almost 50% decline in the number of jobs created in just twelve months.

Third, except for one month, that finally revised moving average has been declining since it peaked at 644,500 for jobs created in February of 2022. I'm wondering how anyone can look at these numbers and not see a slowing employment situation.

What does all this mean for your investments? This is likely the beginning of a volatile week. Don't panic, and don't bet on being able to second guess investor behavior in response to headlines about the markets, the economy, or the Fed. Our technical indicators tell us the S&P pushed through a key resistance level today, but also that there's not much more room to run higher before a correction becomes imminent, so we're not likely to be taking on excessive, additional risk.

We also have just a few months to go before the elections start dominating the headlines, which is always a fun time. Markets tend to be volatile leading up to elections, and also tend to do pretty well after them, no matter who wins, because uncertainty is reduced, as in, at least you know what to expect.

Don't hesitate to call or email if you have any questions or comments, and remember, these are mostly my opinions and those of others with whom I agree, so take it all with a grain of salt or two. We really can't do much more than observe and react. When risk is warranted, and more likely to be rewarded, we'll take it. When it's not, we won't.

Cheers!