

February 1, 2024

Good Afternoon,

January closed with stocks recording modest gains despite Wednesday's sharp declines. Yesterday's drop was triggered by the Federal Reserve and Chair Powell. The Fed left interest rates unchanged and in his post-meeting comments, Powell indicated that rate cuts are unlikely at their next meeting in March. While that should have come as no surprise to investors, markets were disappointed by the news. Bond yields, however, have declined with the Ten-Year Treasury yield falling back below 4%, and bond prices have rallied. The good news is that the US economy remains strong despite inflation slowly declining.

Powell stated, "So, I think we look at stronger growth, we don't look at it as a problem. At this point, we want to see strong growth. We want to see a strong labor market. We're not looking for a weaker labor market. We're looking for inflation to continue to come down as it has been coming down for the last six months." In other words, Powell believes we are in a good place, and that good news should be seen as good news. Economists and traders will continue to read more into Fed comments than really exists and speculation will linger on when the Fed makes its first rate cut.

Did you participate in "Dry January"? Research indicates more Americans are evaluating their relationship with alcohol, and the medical community supports the notion that occasional abstaining from booze provides significant health benefits for those folks who may overindulge with some frequency. All I can tell you is that it's a 2- minute walk from my office to the nearest bar. But it's a 35-minute walk from the bar back to my office. The difference is staggering.

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a great weekend,

*Wade*

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