

February 16, 2024

Good morning,

Although January CPI data showed a slowing rate of inflation from December to January, the number came in a bit higher than expected. The result was a sharp drop in both stock and bond prices on Tuesday. Traders continue to be focused on the Federal Reserve and the timing of the next interest rate change – presumably, a cut – at some point this year. With the recent inflation data, a rate cut in March seems very remote, and likely not until June. The Producer Price Index (PPI) data came out this morning, also higher than expected, but markets are so far taking the surprise in stride.

Consumer confidence remains strong despite persistent, albeit declining, inflation. However, there is evidence that certain sectors are beginning to see weakness, including used cars and food services. Retail sales data are important to consider when measuring the health of the US consumer. US consumer spending accounts for nearly 70% of US GDP – the ultimate measure of the health of our economy. We get an update on the consumer later today with the Michigan Consumer Confidence report.

Cincinnati Reds star pitcher, Don Gullet, passed away this week. His pitching helped lead the Reds to World Series victories in 1975 and 1976 – the era of the Big Red Machine, when yours truly became a lifelong fan amidst a sea of Yankee fans. The Yankees (of course) made him an offer he couldn't refuse, and he won two more World Series rings in '77-'78 with New York. Injuries kept him from pitching after 1978. RIP Don, and please watch over the Reds this season!

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

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

Wade A. Sarkis, CFP®, AIF®
Managing Partner
Canandaigua Financial Group
45 Ontario Street
Canandaigua, NY 14424
(585) 396-2720

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