

April 19, 2024

Good Afternoon,

War, famine, elections, climate crises; investors have plenty on their minds. With the major stock indices down 4 to 5% from recent highs, which issue is most concerning to markets? Inflation. Our economy continues to grow, and consumer demand remains robust. Demand for goods and services is still strong, therefore inflation remains higher than the Fed's target of 2%. The prospect of multiple rate cuts at the beginning of the year put wind in the sails of stocks. But as expectations for the Fed have shifted, that call is now on ice. Markets (and investors) want lower interest rates, but Federal Reserve officials reiterate they aren't in any hurry to cut.

Q1 earnings season has started. Of course, prior quarter results are important, but traders want to hear rosy projections from corporations. Any variation from that theme will likely lead to stock price declines of the subject companies. It's a process that seems to play out quarterly, so we can expect continued volatility. We do want to point out that many of last year's high-flying stocks (i.e., big tech) are 10 to 20% below their highs and are approaching attractive valuations. We suspect that those stocks will resume their advances once markets get over the fact that rate cuts aren't likely to happen soon. Ultimately, stock prices are tied to profitability.

The major league baseball season is in its third week. I'm happy to report that the Cincinnati Reds have 9 wins and only 9 losses – not the worst team in the league. But give them a little time and they'll get there.

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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.

Enjoy your 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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