

Monday, February 6, 2023

Good morning:

As expected, last week had more than its share of market-moving data points in what was another positive week for the S&P 500 and a particularly strong week for the growth stocks in the NASDAQ. In a shift from more recent value stock leadership, the NASDAQ added 3.3% for the week in spite of a mixed bag of large tech company earnings, while the Dow actually declined 0.2%. Despite being in the heart of earnings season, the Fed announcement and the labor report were perhaps of even more importance.

Since monetary policy reacts with significant lag, it is not surprising that many renowned economists have been critical of the Fed's aggressive stance towards taming inflation. Some were pleased to see their decision to dial down last week's hike to 0.25%, but others believe they have already been too aggressive and will soon have to face the consequences in the form of a recession. For now though, equity investors and traders reacted positively and drove stocks higher on the Fed's decision and accompanying remarks. Since their comments did try to directly target growing optimism, many feel we are now likely nearing the end of this tightening cycle.



However, inflation is still evident in many of our daily purchases. While some prices have pulled back from recent highs, they may never return to their levels of just a few years ago. Declining inflation merely refers to the *rate* at which prices increase, not outright price declines. This chart highlights forward looking inflation indicators pointing to continued softening in inflation pressures. Since the Federal Reserve continues to target a 2% rate of annual inflation, time will tell whether the current declining rates will plateau before reaching their target.

Underlying Trends Signal Inflation is Headed Lower



Source: Bloomberg

Friday's labor report had something for both bears and bulls, depending on its interpretation. On one hand, the economy added a whopping 517,000 jobs last month, more than double consensus forecasts. The unemployment rate fell to 3.4%, a level not seen since 1969. The same report revealed that average hourly wage growth declined in January to 4.4% from 4.8% in December. While this may not sound like a positive development, it may be precisely the thing that calms the Fed's concerns that aggressive wage growth pressures inflation.

In just a few months, and particularly since the start of this year, both stocks and bonds have staged an impressive rebound off their multi-year lows. With the Fed still hiking, and earnings outlooks just starting to come down, is such a move higher warranted? Well, that all depends on

whether the economic slowdown/contraction is more of the mild or typical variety, or something more severe and protracted. Clearly last week's action suggests many were betting on the former. We remain cautiously optimistic – cautious about the many risks and unknowns that remain in the short run, but optimistic that a new fundamental bull market will materialize after the Fed is done raising rates and inflation is back to more normal levels. The coming months are likely to remain volatile while further potentially conflicting information is released and digested.

As we mentioned last week, 1099s will start to be issued next week in three waves through March 15th. Be sure you have your 1099s for each and every account that issued one before completing your income tax returns. We are here to help you if needed!

Have a great week!

Mark and Jeff

Mark S. Loftus, CFP®

Managing Partner & Founder, LPWP
Registered Principal, RJFS
CA Insurance License #0C83705

Jeffrey C. Preusser, CFP®

Senior Partner, LPWP
Registered Principal, RJFS
CA Insurance License #0E01600

O: 630.566.9200 // T: 844.890.8750 // F: 630.566.9292
1901 Butterfield Road, Suite 100, Downers Grove, IL 60515
www.loftus-preusser.com



Loftus & Preusser Wealth Partners is not a registered broker/dealer and is independent of Raymond James Financial Services. Securities offered through Raymond James Financial Services, Inc., Member FINRA/SIPC. Investment advisory services offered through Raymond James Financial Services Advisors, Inc.

Raymond James Financial Services does not accept orders and/or instructions regarding your account by e-mail, voice mail, fax or any alternate method. Transactional details do not supersede normal trade confirmations or statements. E-mail sent through the Internet is not secure or confidential. Raymond James Financial Services reserves the right to monitor all email.

Any information provided in this e-mail has been prepared from sources believed to be reliable, but is not guaranteed by Raymond James Financial Services and is not a complete summary or statement of all available data necessary for making an investment decision. Any information provided is for informational purposes only and does not constitute a recommendation. Raymond James Financial Services and its employees may own options, rights or warrants to purchase any of the securities mentioned in e-mail. This e-mail is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited. If you received this message in error, please contact the sender immediately and delete the material from your computer.

DISCLAIMER:

If you no longer want to receive this Monday Outlook email, simply reply to this email with "REMOVE" or "OPT OUT" in the subject line and we will remove you from our email list.

Opinions expressed in this email are those of the author and are not necessarily those of Raymond James. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material nor is it a recommendation.

The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete.

All investments are subject to risk regardless of strategy selected. Individual investor's results will vary. Past performance does not guarantee future results. Forward looking data is subject to change at any time and there is no assurance that projections will be realized. Diversification and strategic asset allocation do not ensure a profit or protect against a loss.

The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. Investing in small cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor.

The companies engaged in the communications and technology industries are subject to fierce competition and their products and services may be subject to rapid obsolescence.

Market return and statistical data obtained from: https://am.jpmorgan.com/blob-gim/1383452890099/83456/weekly_market_recap.pdf?segment=AMERICAS_US_ADV&locale=en_US

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.

Raymond James and its advisors do not offer tax or legal advice. You should discuss any tax or legal matters with the appropriate professional.

Every type of investment, including mutual funds, involves risk. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein.

Securities offered through Raymond James Financial Services, Inc. member FINRA/SIPC.

Please visit <https://www.raymondjames.com/legal-disclosures/social-media-disclaimer-icd> for Additional Risk

and Disclosure Information. Raymond James does not accept private client orders or account instructions by email. This email: (a) is not an official transaction confirmation or account statement; (b) is not an offer, solicitation, or recommendation to transact in any security; (c) is intended only for the addressee; and (d) may not be retransmitted to, or used by, any other party. This email may contain confidential or privileged information; please delete immediately if you are not the intended recipient. Raymond James monitors emails and may be required by law or regulation to disclose emails to third parties.

Investment products are: Not deposits. Not FDIC or NCUA insured. Not guaranteed by the financial institution. Subject to risk. May lose value.

This may constitute a commercial email message under the CAN-SPAM Act of 2003. If you do not wish to receive marketing or advertising related email messages from us, please reply to this message with "unsubscribe" in your response. You will continue to receive emails from us related to servicing your account(s).