

Monday, January 30, 2023

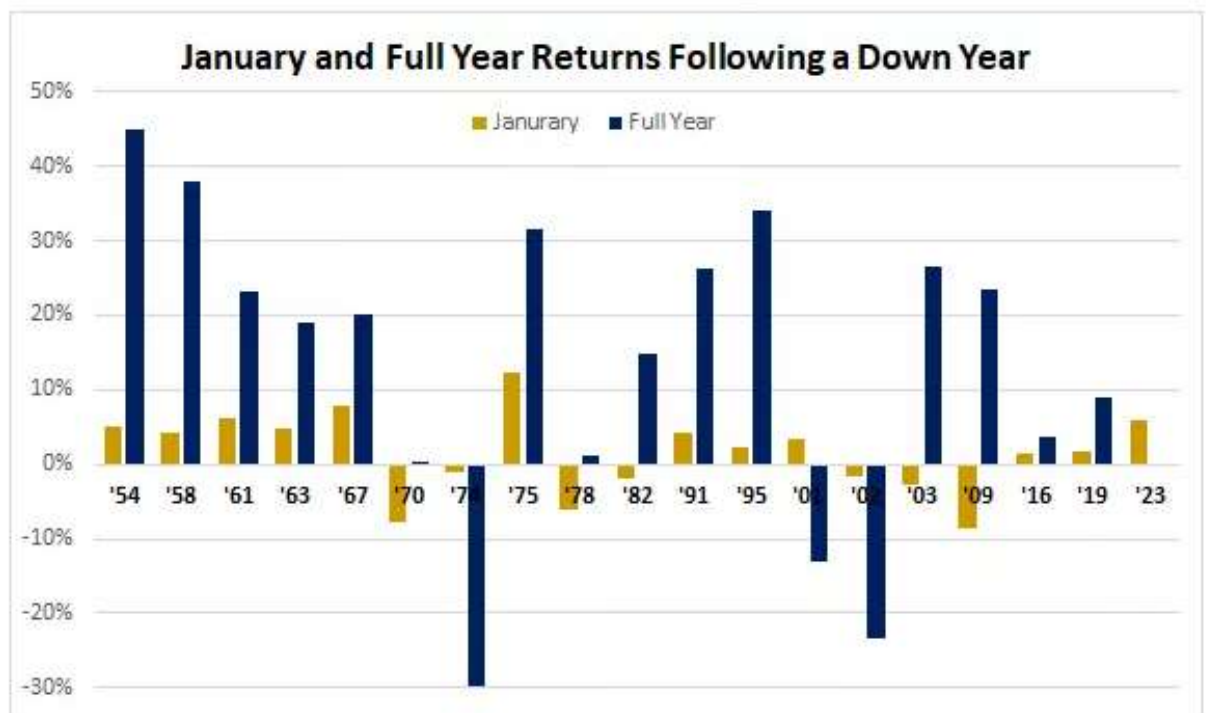
Good afternoon:

Major equity averages last week staged their third winning week in the last four against the backdrop of some decent earnings reports and continued anticipation of the end of the Fed's monetary tightening program. Adding to its solid rebound so far in 2023 was the NASDAQ that tacked on 4.32% for the week to bring its YTD increase to 11.07%. The Dow Jones Industrial Average, which outperformed last year, added 1.81%, but is only up 2.60% so far this year. With several of the market's largest technology companies announcing their Q4 results this week, investors will see if their renewed interest in these growth stocks is justified. Since they also represent such a large portion of most market cap-weighted indices like the S&P 500, we expect these results to help set the tone for this week's action.



Towards the end of 2022, clearly one of the most difficult years for investors in recent memory, we pointed out that bad years are often followed by good years in the stock market. In fact, in the past 75 years,

only one 15%+ down year was followed by a loss in the following year. The month of January also has a history of portending the direction for the market's annual result in a year following a negative return (see historical chart below). With the S&P starting the week up 6% for the year, keep this in mind. There have been 14 previous Januarys in the last 75 years with a monthly gain of 5% or more. Thirteen of those years went on to finish positive, with an average annual increase of 23%. In other words, a particularly strong start to a year has often resulted in above average gains for the rest of the year ahead.



Source: FactSet

We are also nearing tax season and we would like to remind you of some important tax document information. Unlike W-2s which have a deadline of January 31st, 1099s generally are not issued until February

15th. However, there may be some factors that result in a 1099 being delayed until as long as March 15th. We will be sending an additional email with further details about this year's tax reporting later today.

Prior to many of the big earnings reports, the market will also be reacting to the results of the FOMC meeting on Wednesday. It is widely expected that the Fed will continue hiking rates, but the question is whether we will see another 0.50%, or a smaller hike of 0.25%. Obviously, anything that can be interpreted to be a softening in either action or rhetoric by the Fed will be welcomed by anxious investors. With the broader dynamic of moderating inflation and slower wage growth intact, we believe the Fed may find the justification to reduce this increase to 0.25%. All in all, it should be a very pivotal week for the market.

Have a great week!

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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.

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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

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