Weekly Market Commentary | February 20, 2024

The Markets

Don't fight the Fed.

The Federal Reserve (Fed) is the central bank of the United States. A longstanding bit of investment wisdom is: Don't fight the Fed. It means that investors should align their strategies with the Fed's monetary policy. Economic growth is influenced by Fed policy, and stock markets tend to reflect the economy, rising when it grows and falling when it contracts. As a result, Kent Thune of The Balance reported, when the Fed is:

- **Tightening monetary policy** by raising the federal funds rate to slow economic growth, investors should be cautious.

- **Easing monetary policy** by lowering the federal funds rate to stimulate economic growth, investors can be more aggressive (within the boundaries of their risk tolerance and financial goals).

The Fed has left rates unchanged since last summer. In January, the Fed indicated that inflation was moving in the right direction, and the economy remained strong. It projected that the federal funds rate would fall to 4.6 percent by year-end, implying three rate cuts of 0.25 percent in 2024.

The market did its own math and came to a different conclusion. It decided inflation would drop steadily, economic growth would falter, and the Fed would cut rates six times in 2024, reported Nicholas Jasinski of Barron's.

Last week, economic data suggested the Fed has yet to win its fight against inflation, although there was a sign that economic growth might be moderating.

- The Consumer Price Index showed that inflation fell in January, year-over-year, but not as quickly as many economists had expected.

- The Producer Price Index revealed U.S. producer prices rose more than expected in January as the cost of services moved higher.

- Retail sales slowed dropped more than expected in January, suggesting that consumer spending (a primary driver of U.S. economic growth) might be slowing.

The data caused markets to recalculate. Now, investors "have moved closer to the view of Fed policymakers, most of whom as of December penciled in 50 to 75 basis points of rate cuts by the end of 2024," reported Howard Schneider and Michael S. Derby of Reuters.

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COACHING

As markets adjusted to the revised outlook, major U.S. stock indices finished lower, and yields on longer maturities of U.S. Treasuries moved higher.

Data as of 2/16/24	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.4%	5.0%	22.4%	8.4%	12.5%	10.5%
Dow Jones Global ex-U.S. Index	1.5	0.3	5.7	-3.3	3.0	1.7
10-year Treasury Note (yield only)	4.2	N/A	3.8	1.3	2.7	2.7
Gold (per ounce)	-1.3	-3.9	9.2	3.7	8.6	4.2
Bloomberg Commodity Index	-0.7	-2.4	-10.4	4.2	3.4	-3.0

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WHEN WAS THE LAST TIME YOU PAID WITH CASH? Paper money and coins may follow the telephone landline and the film camera into obscurity. About 60 percent of people who participated in a 2022 *Gallup* poll said they almost never use cash, and just 13 percent said they always paid in cash. No matter where you fall on the spectrum, see what you know about currency by taking this brief quiz:

1. What do most people do with coins they receive as change?
   a. Drop them into coin jars at home.
   b. Spend them on laundry and parking.
   c. Deposit them at the bank.
   d. Leave them in “take a penny, leave a penny” trays.

2. How much money did airline passengers leave behind at screening checkpoints in 2022?
   a. $236,000
   b. $523,000
   c. $835,000
   d. $1,467,000

3. What is the oldest currency still in use today?
   a. Russian ruble
   b. British pound
   c. Haitian gourde
   d. Japanese yen

4. The original American penny, known as the Fugio cent, was designed by Ben Franklin. On one side, it had the motto: We are one. What was written on the other side of the penny?
   a. When In Doubt, Don’t
   b. A Penny Earned
   c. Mind Your Business
   d. Industry And Frugality

Answers:

1) a; 2) c; 3) b; 4) c

Best regards,

Angela M. Bender

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

* Consult your financial professional before making any investment decision.

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