



EXECUTIVE WEALTH MANAGEMENT
at Steward Partners

Market Update

THE FED & THE THUD

Timothy Davis, CFP®

February 1ST, 2024

Yesterday, January 31, 2024, marked the final day for trading in the first month of 2024. It also ended with the worst day of the short New Year but we did manage a gain for the month which bodes well for the rest of the year. In fact, according to Tom Lee at FS Insights:

Over past 74 years, when S&P 500 prior year returns were greater than 15% (which has occurred 28 times) and January in the follow year is also positive (which has occurred 13 times):

- The full year median return has been +16%
- The full year return was positive 92% of the time
- The only exception to this was in 2018

So, what was responsible for moving the markets to their worse performance of the month? Thanks to Tom Essaye at The Sevens Report, there were 4 main factors:

1. **The Fed:**

- a. The Fed pushed back on hopes of a March rate cut (although the probabilities in the futures market went from 50% to 40% so the market is still not convinced The Fed won't blink)
- b. May rate cut expectations are still close to 100%
- c. For all of the noise surrounding the decision yesterday, the Fed decision was not a major factor in the near-term as there were no material changes or surprises

2. **Disappointing Big Tech Earnings** – GOOG, MSFT & AMD all reported numbers that did not impress a market that is priced to perfection.

3. **The S&P 500 is trading close to 5,000 and is priced for perfection** – This opens the door to “air pockets” for the market. In addition to yawning at the first real Big Tech earnings, there was some underwhelming economic data in the form of the ADP Private Payrolls data which fell to 107,000, very close to a Post-Covid low.

4. **Bank Stress Continues** – Yesterday, New York Community Bank (which absorbed the assts & liabilities of failed Signature Bank) reported a very bad earnings report that included a massive dividend cut, loan losses and delinquent accounts. So far, this appears to be specific to this bank as other regional banks have not reported similar issues. This is a reminder, however, there is still stress in the banking sector in certain places.

While we remain constructive on 2024 as a whole, days like yesterday are a reminder there are still some issues for the markets to work out. It is for this reason that the first

half of the year could be choppy, but we believe that once the Fed starts to cut rates the path should clear for a better second half. We will continue to look to take advantage of any sizable pullbacks from here by increasing risk assets, especially in the small & mid cap space. Please feel free to reach out to me with any comments or questions.

Thank you as always for your time and attention to this update.

Regards,

Tim

See Our Latest Thoughts on the Markets: <https://davis.stewardpartners.com/.6.htm>

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AdTrax 6135873.5 exp 2/25

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