

Monday January 8, 2024

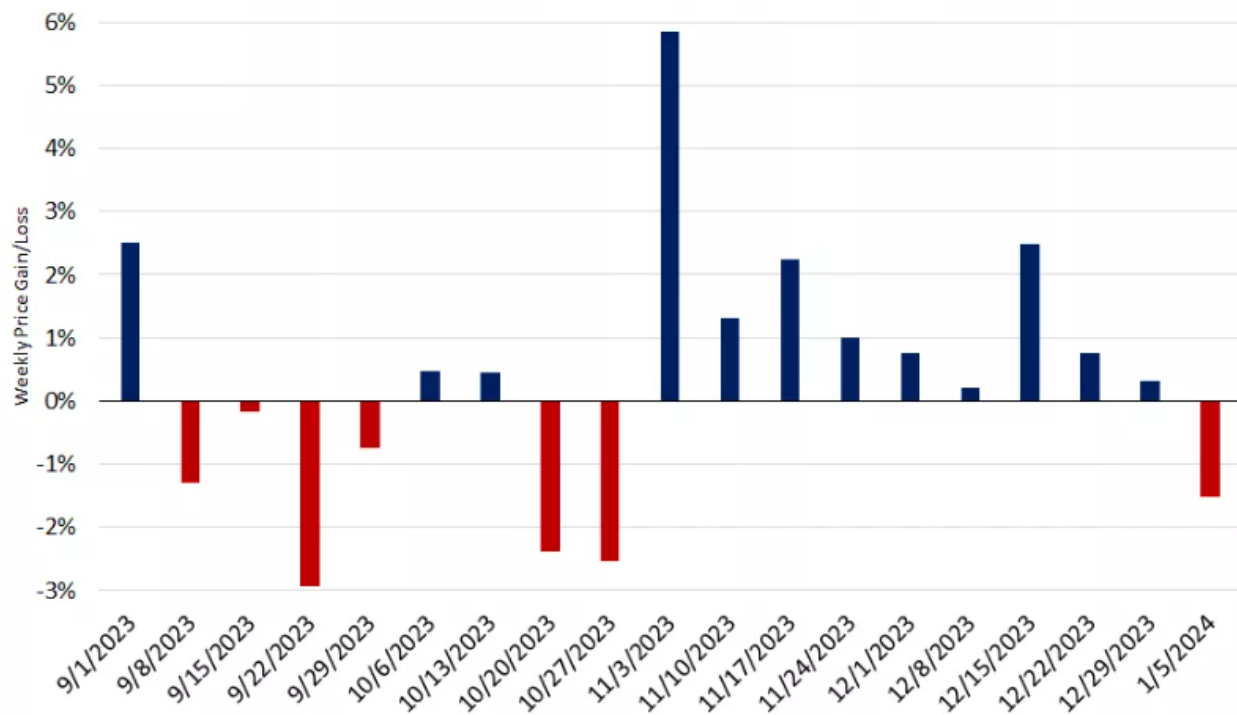
SUMMARY-

- I. Stocks retreat after nine-week winning streak.
- II. Jobs data ticks up in December, but is expected to soften.
- III. Expectations about timing and number of Fed rate cuts vary.
- IV. Key inflation reports and start of earnings season this week.

Good morning:

The market's nine-week winning streak that closed out 2023 came to an end last week with both equities and fixed income securities posting modest losses to start the new year. The 10-year Treasury bond yield rose back over 4%. Leading the retreat were some of last year's biggest winners in the NASDAQ that lost 3.2% by Friday's close to the holiday-shortened trading week. The clear rotation into industrials and financials among other laggards was evident with the Dow Jones Industrial Average only declining 0.6%. After such a strong and protracted leg up over the past two months, it should come as no surprise that the market would take a breather; especially now that gains realized by traders won't be taxed until they file their 2024 tax returns.

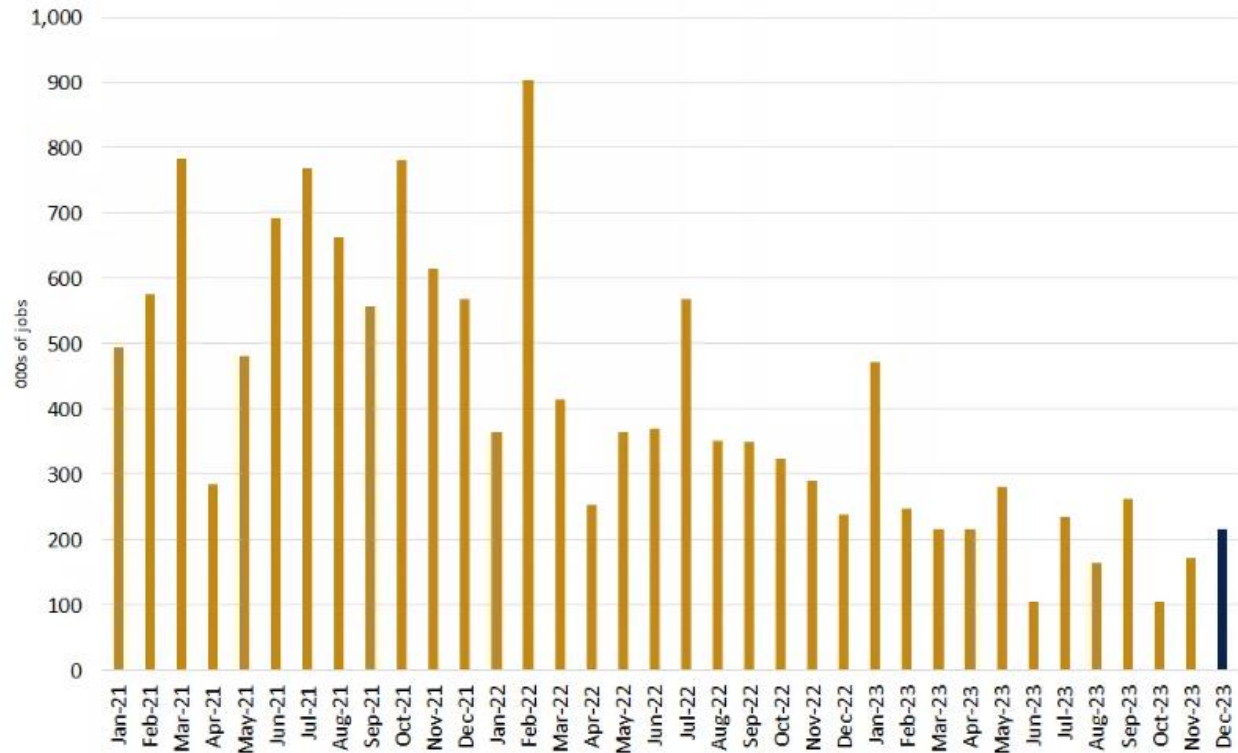
### The stock market's weekly winning streak came to an end at nine



Source: Bloomberg, S&P 500 Index weekly price return.

Despite a bit of profit taking, the underpinnings of last year's closing rally remain intact. Declining inflation and the end of the Fed's tightening cycle while the economy continues to chug along have not suddenly changed. The expected rate cuts later this year are also still a major factor. The strong labor market and resilient consumer that helped us avoid a much-anticipated recession are also both still present. The December jobs report from last week even showed an uptick in new hires but is widely expected to slow as the year unfolds. Wage growth ticked up in December as well but is also expected to moderate later in the year. This will be important to keep inflation heading in the right direction enabling the Fed to lower short-term interest rates.

### Job growth perked up last month, but likely to slow ahead



Source: Bloomberg.

Many have already started to predict exactly *when* the Fed will start to lower rates. Some say as early as March while others believe it may not occur until mid-year. Much will depend on the data, particularly inflation and labor statistics. First among this year's key inflation reports the Fed will be watching are this week's CPI and PPI results from December. While each may show a small increase in the monthly reading, an annualized rate that moderates slightly or remains stable would still be seen as productive, and supportive of the Fed's plan to begin easing rates in the near future. Over the past 30+ years, markets usually do well leading up to a Fed rate cutting cycle. However, once cuts begin, results have been more mixed. We see the lack of much of a rebound in the broader

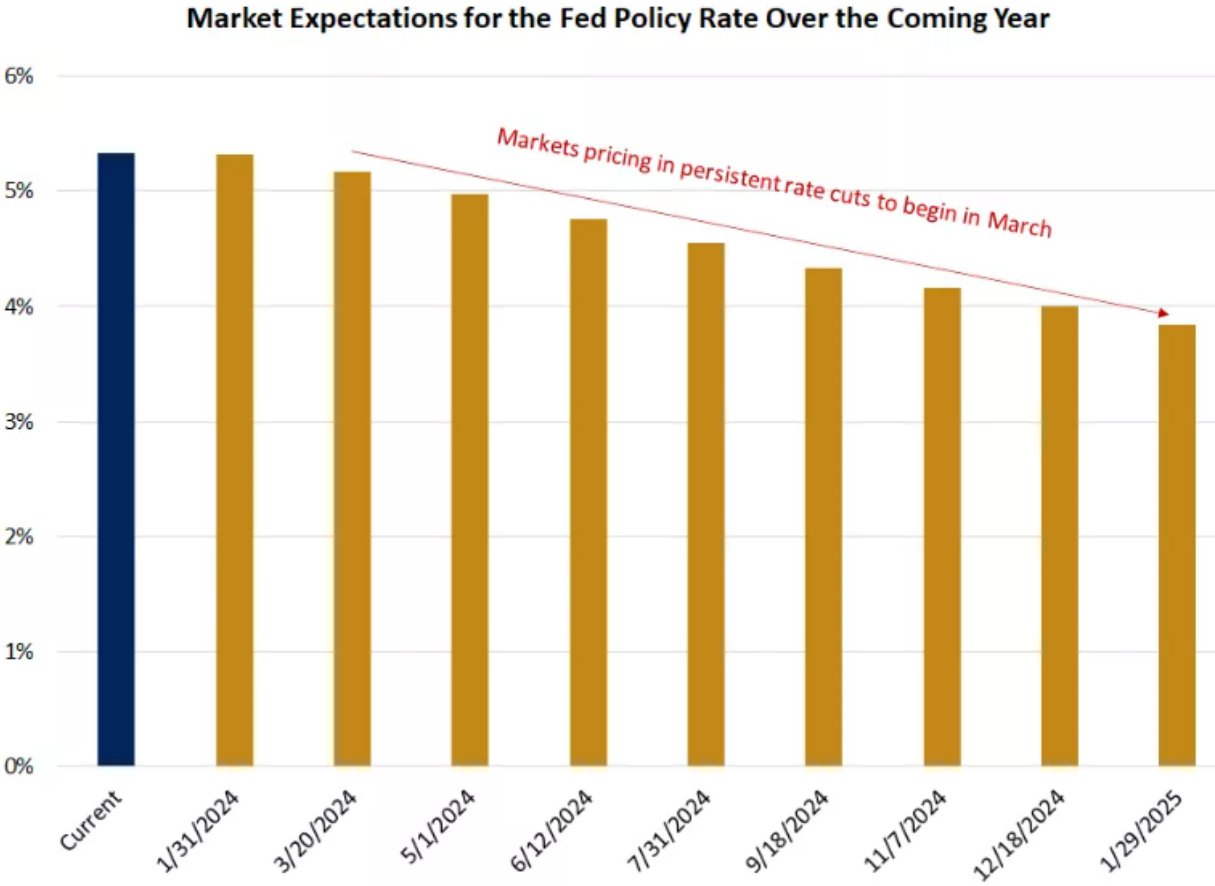
market in 2023 to the bear market of 2022 (apart from the Magnificent Seven names) as potential support for further broadening out as the current bull market continues.

Stock Market Performance:		
Initial Rate Cut	6 months prior	6 months after
Jun-90	3.1%	-6.0%
Jun-95	19.8%	14.4%
Jun-98	17.7%	9.2%
Dec-00	-8.7%	-6.7%
Jun-07	7.0%	-0.6%
Jun-19	18.5%	10.9%

*Source: Bloomberg. S&P 500 Index total return.*

Bond markets are currently pricing in a steady stream of Fed rate cuts starting with their March FOMC meeting. This could prove to be too optimistic as the Fed will more likely remain cautious about sparking any new waves of inflation by stimulating the economy unintentionally. It is possible that equity traders could become impatient and sell stocks if the Fed fails to start their cuts when expected. We would use any such volatility as a buying opportunity since

the rate cuts to come should ultimately be very supportive to economic growth and in turn equity markets.



Source: Bloomberg. Federal Funds rate projections.

Despite the soft start to the year, we remain optimistic that the patience exhibited by most long-term investors to remain invested in well-diversified portfolios over the past few years will continue to be rewarded over time. It is certainly not uncommon for stocks to pause and catch their breath after a strong advance. The forthcoming inflation reports this week, as well as some of the

nation's largest banks kicking off the Q4 earnings season will likely determine whether this week keeps buyers at bay or reignites renewed interest in stocks.



Finally, we will be sending a separate email containing a link to a brief client survey in the coming days. It is designed to help us plan this year's client communication, events, and review meetings more efficiently. Please take a minute to complete it when it arrives.

Thanks, and 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](http://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.

**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.

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 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.

The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system. 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.

Raymond James makes a market in AAPL, AMZN, GOOGL, META, MSFT, NVDA, and TSLA. This is not a recommendation to purchase or sell the stocks of the companies mentioned.

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](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.

Every investor's situation is unique, and you should consider your investment goals, risk tolerance and time horizon before making any investment. Prior to making an investment decision, please consult with your financial advisor about your individual situation. The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation.

Bond prices and yields are subject to change based on market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. Holding bonds to term allows redemption at par value. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise.

This information is not intended as a solicitation or an offer to buy or sell any security referred to herein.

Money market fund is a mutual fund investing in high quality, short-term debt instruments, cash, and cash equivalents. While not principal protected, they are considered extremely low risk on the investment spectrum. The money market fund generates income, but little capital appreciation. An investment in a money market fund is neither insured nor guaranteed by the FDIC or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

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.

Certified Financial Planner Board of Standards, Inc. (CFP Board) owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, and CFP® (with plaque design) in the United States, which it authorizes use of by individuals who successfully complete CFP Board's initial and ongoing certification requirements.