

Weekly Market Insights: Investors Move Past Mixed Fed Message

Presented by BS&P Wealth Management

Stocks pushed higher last week as investors cheered mega-cap tech corporate reports and a better-than-expected employment report.

Stocks at New Highs

At the beginning of the week, stocks surged, anticipating fourth-quarter corporate updates from tech companies and the Federal Reserve's two-day policy meeting; this led to the S&P 500 Index reaching a new record high on Monday.

The market remained relatively stable for the rest of the week until Wednesday, when the Federal Reserve announced its decision to maintain interest rates within the 5.25-5.50 percent target range. The Federal Open Market Committee's (FOMC) news unsettled investors, who anticipated that rates would remain unchanged but expected more specific guidance on the Fed's plan to lower interest rates.¹

On Friday, the job report for January revealed the addition of 353,000 new jobs, surpassing the forecast of 185,000. This strong report did not negatively impact the markets. Instead, investors interpreted it as confirmation of a robust economy.²

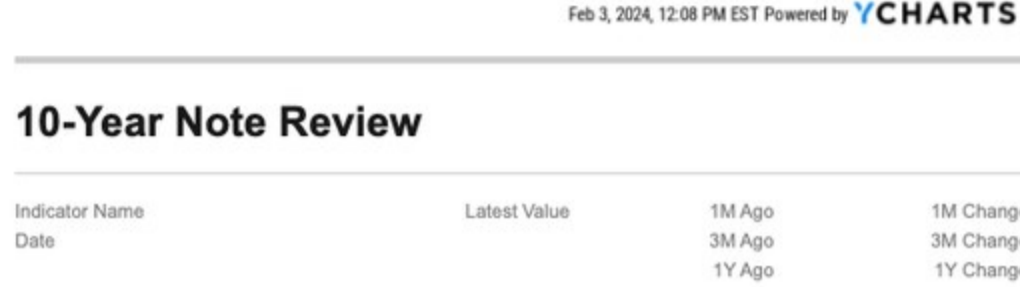


YCHARTS

Major Index Return Summary

Name	ROC 5	1M TR	YTD TR	1Y TR
Dow Jones Industrial Average	1.43%	2.58%	2.65%	15.98%
MSCIEAFE	0.02%	0.36%	-0.53%	7.64%
Nasdaq Composite	1.12%	5.87%	4.14%	28.17%
S&P 500	1.38%	4.65%	4.06%	20.59%

S&P 500 Daily Close



10-Year Note Review

Indicator Name	Latest Value	1M Ago	1M Change
10 Year Treasury Rate	4.03%	3.95%	2.03% ▲
02/02/24		4.67%	-13.70% ▼
		3.40%	18.53% ▲

Source: YCharts.com, February 3, 2024. Weekly performance is measured from Monday, January 29, to Friday, February 2.

ROC 5 = the rate of change in the index for the previous 5 trading days.

TR = total return for the index, which includes any dividends as well as any other cash distributions during the period.

Treasury note yield is expressed in basis points.

Fed's Mixed Signals

The Fed's decision to keep rates steady left some investors disappointed, as they had been hoping for indications of rate cuts in the coming months; this led to a decline in stock prices on Wednesday, with increased selling towards the end of the trading day.

The Wall Street Journal's headline after the FOMC meeting on Wednesday suggested that rate cuts were possible but not expected immediately. The FOMC's policy language, released after the meeting, indicated a subtle shift from considering rate cuts to proposing they could be possible unless inflation became a concern.³

This Week: Key Economic Data

Monday: ISM Services Index.

Wednesday: International Trade in Goods & Services. EIA Petroleum Report.

Thursday: Jobless Claims. Fed Balance Sheet.

Source: Investors Business Daily - Econoday economic calendar; February 2, 2024
The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

This Week: Companies Reporting Earnings

Monday: McDonald's Corporation (MCD), Caterpillar (CPL)

Tuesday: Eli Lilly and Company (LLY), Amgen Inc. (AMGN), Fiserv, Inc. (FI)

Wednesday: The Walt Disney Company (DIS), Uber Technologies Inc. (UBER), PayPal Holdings Inc. (PYPL)

Thursday: AstraZeneca Plc (AZN), S&P Global Inc. (SPGI), Philip Morris International Inc. (PM)

Friday: PepsiCo Inc. (PEP)

Source: Zacks, February 2, 2024

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

FOOD FOR THOUGHT

"Your life does not get better by chance, it gets better by change."

– Jim Rohn

TAX TIP

Vacation Home Rentals

If you receive money for the use of your primary residence, you may have to report this rental income on your tax return; this means that the "vacation home rental" classification can apply to your home, even if you don't own multiple short-term rental properties. The rental expense deduction is limited in the case of a property used as a home; the rental expenses can't be more than the rent received. The rental income may not require reporting if you rent the house to your tenant for fewer than 15 days during the year.

A vacation home is a house, apartment, condominium, or other dwelling that you use to generate income, but you can also use it as a residence during the year. For tax purposes, it's critical to divide the expenses of a property into personal and business purposes.

To report rental income and rental expenses, use Schedule E. In addition, rental income may be subject to a net investment income tax.

**This tax tip is for informational purposes only and is not a replacement for real-life advice. Consult your tax, legal, and accounting professionals for more specific information.*

Tip adapted from IRS.gov⁴

HEALTHY LIVING TIP

Taking Care of Your Mental Health

Taking care of your mental health is just as important as your physical health—if not more so. Your mental health influences how you communicate with others, perform at work, and feel about yourself.

Here are some tips to help you focus on your mental health and understand what you need to be the best version of yourself:

- Start your day with coffee or tea and enjoy the warm drink without thinking about what's ahead.
- Set up a getaway, even if you don't go far. It could even be camping in your backyard.
- Think of something in your life you want to improve and figure out what you can do to take a step in the right direction.
- Learn something new, whether that's a recipe, a song, a poem, or a skill.
- Show some love to someone in your life. Write a letter, send a text, or give a loved one a phone call.
- Go off the grid and leave your smartphone at home for a day (or a few hours).

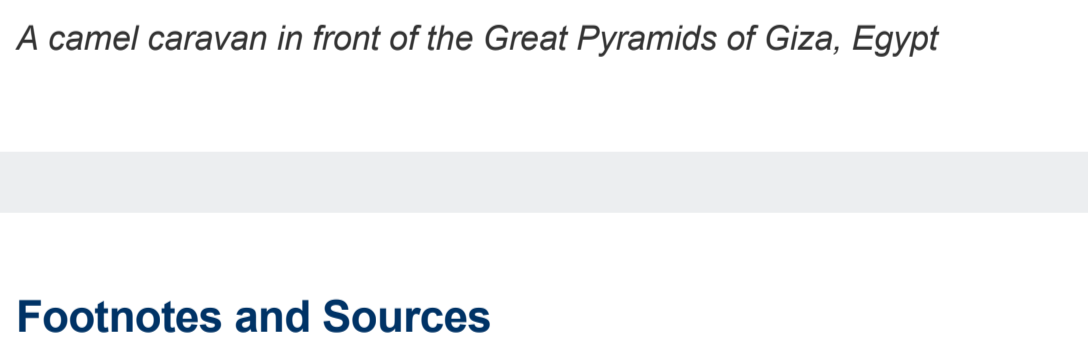
Tip adapted from Mental Health America⁵

WEEKLY RIDDLE

Two men played five games of chess in the park. They both won the same number of games, yet none of the games they played ended in a draw. So how could this be?

Last week's riddle: What five-letter word becomes shorter when you add two letters to it? Answer: Short.

PHOTO OF THE WEEK



A camel caravan in front of the Great Pyramids of Giza, Egypt

Footnotes and Sources

1. CNBC.com, January 29, 2024
2. The Wall Street Journal, January 31, 2024
3. CNBC.com, February 2, 2024
4. IRS.gov, September 25, 2023
5. Mhanational.org, October 9, 2023

Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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Please consult your financial professional for additional information.

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