



MOE'S MARKET WRAP MINUTE

WEEK OF JANUARY 23, 2023

MOE'S MARKET MENTIONS

- With the S&P500 up 3.51% to start the year, so far so good. We are starting to see some relative strength upside divergence so won't be surprised to see a slight pullback in the coming months, but overall markets are turning risk on.
- We discussed a lot about the high-yield bond market as a good proxy for the recessionary outlook. So far this year HYG is up 3.45%, almost as much as the S&P500 for the year. Typically, the high-yield bond market has a beta of 0.5, but this year we are experiencing a beta of 1 to the upside which, in our view, is positive for the economic outlook.
- Looking at international markets, they are also performing well. EEM is up 10.11% YTD and EFA is up 8.18% YTD. This tangible outperformance relative to US equities might continue if global recessionary fears continue to wane and the US dollar remains at these levels.
- Finally, the US bond market is also rallying so far this year with AGG up 3.2%. The 10-year US Treasury started the year at 3.88%, but as of Friday's close was 3.48%. This reprieve from rising interest rates put less downward pressure on asset valuations. We view a 10-year US Treasury rate between 3.3% to 4.3% as a sustainable rate for future asset appreciation. If rates were to decisively break below 3.3%, that might be a warning sign that a recession is on the horizon.

CHART OF THE WEEK

"Rule of the 1st 5 Days" looks at market returns for the first trading week of the year and forecasts how the year will end up. The thesis of the theory stems from market participants coming back from winter break and then positioning their portfolios for the upcoming year depending on their forecasts. Going back to 1950, with the S&P500 up more than 1.4% in the first 5 trading days, the market has been positive 91% of the time. This year the S&P500 was up 1.46% in the first week, so a good omen for 2023.

S&P 500 Returns After Various First 5 Day Return Scenarios
Since 1950

ALL YEARS SINCE 1950		Median Performance				Win Ratio		
	N =	Day 0->5	Day 5->1H	2H	Full Year	Day 5->1H	2H	Full Year
First 5D >1.4%	7	2.6%	9.5%	8.1%	26.4%	100%	86%	100%
First 5D >0%	13	1.8%	9.5%	10.7%	23.5%	85%	85%	92%
Negative Prior Year...	19	0.7%	7.2%	9.8%	20.1%	74%	79%	84%
First 5D <0%	6	-3.5%	-0.1%	3.6%	5.3%	50%	67%	67%
First 5D <-1.4%	6	-3.5%	-0.1%	3.6%	5.3%	50%	67%	67%
First 5D >1.4%	15	2.8%	3.6%	7.0%	13.6%	60%	73%	87%
First 5D >0%	34	1.3%	3.7%	6.6%	12.5%	68%	76%	79%
Positive Prior Year...	54	0.4%	3.6%	4.0%	9.0%	69%	69%	69%
First 5D <0%	20	-1.8%	1.7%	1.5%	-0.2%	60%	55%	50%
First 5D <-1.4%	15	-1.9%	0.9%	1.4%	2.6%	60%	53%	53%
First 5D >1.4%	22	2.7%	7.1%	7.6%	18.1%	73%	77%	91%
All Years (1950-2022)	73	0.7%	4.8%	5.0%	11.8%	67%	71%	73%
First 5D <-1.4%	21	-2.0%	0.9%	1.4%	2.6%	57%	57%	57%
2023	-	1.4%	0.5%	-	-	-	-	-

Source: Fundstrat, Bloomberg

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Moez Ansari is the President, Chief Investment Officer, and founder of Compak Asset Management. With over 35 years of investment experience, Moez evaluates the markets using industry-leading technical and fundamental analysis.

His professional experience includes options trading, portfolio optimization, futures trading, mutual fund selection modeling and financial risk management. He is a nationally sought speaker and has conducted numerous financial seminars since the 1980s.

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