MARKET WRAP MINUTE

WEEK OF DECEMBER 11, 2023

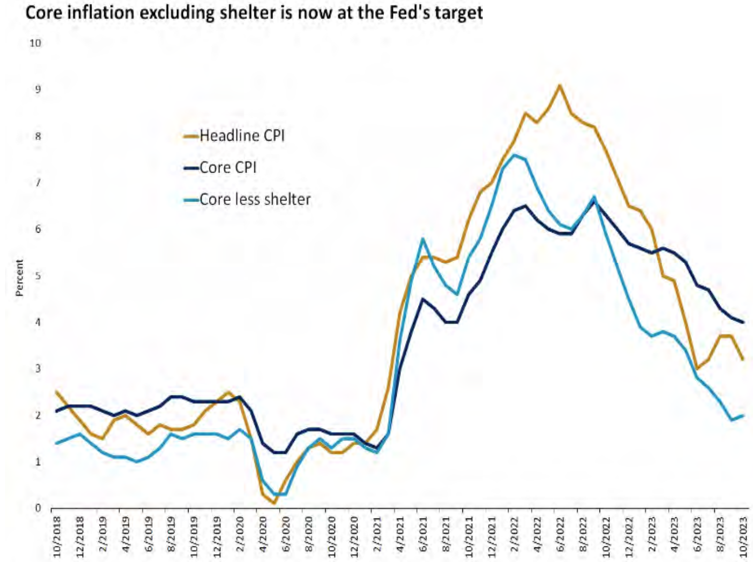
MARKET MENTIONS: On Final Approach for a Soft Landing in 2024

- With a few weeks left till the end of 2023, markets remain on track for a strong finish. Stocks are hovering near their highs for the year, and bonds are rebounding nicely after a tough three-year stretch. The over-arching forces supporting balanced portfolio gains this year have been the easing in inflation pressures, a resilient economy that has not only avoided a recession but has grown at an above-average pace, and enthusiasm around artificial intelligence (AI).
- As the torch passes to 2024, investors are counting on a successful Fed pivot away from restrictive policy to a more neutral stance to sustain and build on this year's gains. We think the Fed's next move may be a rate cut instead of a hike, but the timing of when that might happen could be a source of volatility. Nonetheless, we see the potential end of tightening and the start of an easing cycle as a catalyst for further gains in bond prices and a broadening in equity-market leadership. This week's CPI reading, Fed meeting, and economic projections will provide a fresh read on how the path of rates might look.
- The spotlight was on the job market last week, with the data providing mixed takeaways but also not reversing the cooling trend that has emerged, which is likely welcomed by the Fed. The strong labor market has given consumers the confidence to spend in the face of high inflation and rising borrowing costs. But the tight conditions have also meant that the Fed might need to keep policy restrictive for longer to ensure higher labor costs don’t feed into higher inflation.
- Economic growth is tracking lower in the fourth quarter, with the Atlanta Fed's real-time GDP estimate at 1.2%. A potential soft patch in the economy in the quarters ahead could sap some of the optimism from the market, but it may also help inflation return to target sooner and support the potential start of a loosening in Fed policy.

CHART OF THE WEEK

While we got “goldilocks” employment numbers last week, it is important to remember that employment is a lagging indicator and the key driver for the market going into 2024 may be inflation data and most importantly the Federal Reserve’s actions since they affect investment valuations. Housing inflation remains by far the biggest contributor to inflation. Without it, core CPI (consumer price index) has already reached the Fed's 2% over the past two months. We think that more relief may be on the way, as the steep decline in price increases for new leases could pull housing inflation lower through most of 2024. Beyond shelter, goods prices have been declining, and the loosening labor market, along with higher productivity, may keep wages and other services inflation in check.

Core inflation excluding shelter is now at the Fed's target



Source: Bloomberg, Edward Jones.

Chart description ^

The graph shows the year-over-year percentage change in U.S. headline, core and core excluding shelter CPI. All remain in a downtrend, with the core ex-shelter now at the Fed's 2% target.

UPCOMING EVENTS - REGISTER AT COMPAK.COM/SEMINARS

Watch!

MOE EVERY WEEK @ www.COMPAK.com/YouTube

Listen!

TO MOE EVERY WEEK @ www.COMPAK.com/Media

CONTACT
COMPAK ASSET MANAGEMENT
TO SCHEDULE A STRATEGY SESSION

1801 Dove Street
Newport Beach, CA 92660
(800) 388-9700
www.Compak.com

Moe Ansari is the President, Chief Investment Officer, and founder of Compak Asset Management. With over 35 years of investment experience, Moeez 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.