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Weekly Focus – Think About It

"If it's your job to eat a frog, it's best to do it first thing in the morning. And if it's your job to eat two frogs, it's best to eat the biggest one first."

—Mark Twain, writer and humorist

THE MARKETS

STILL EXCEEDING EXPECTATIONS

Last week, the United States Treasury market rallied. Yields fell and bond prices rose as some bond market investors enthusiastically embraced the idea that the Federal Reserve will soon change course. Michael Mackenzie and Rich Miller of *Bloomberg* explained:

"Softening inflation and employment data in the past month have convinced investors that the Federal Reserve is done raising interest rates and ignited bets that cuts of at least 1.25 percentage points are in store over the next 12 months. Treasury yields, which touched highs of 5% as recently as October, have declined sharply, with the U.S. 10-year benchmark sliding more than three-quarters of a percentage point."

Bond investors were hoping that last week's unemployment report would show jobs and wage growth slowing in November. Instead, employers added more jobs than expected (199,000 jobs vs. 180,000), and the unemployment rate fell to 3.7 percent.

On Friday, the Treasury market reversed course. Yields on long and short-term Treasury bonds rose sharply and prices fell, reported Karishma Vanjani of *Barron's*.

The employment report also showed that average hourly earnings increased in November – rising 4 percent year-over-year. Wages have risen faster than inflation for seven months, reported Sarah Foster of Bankrate. However, many workers are still feeling a pinch.

"While inflation has come down, broadly speaking, prices have not. There is a kind of continuing, virtual sticker shock that continues to weigh on the minds and pocketbooks of consumers that is meaningful," according to Senior Bankrate Economic Analyst Mark Hamrick.

Last week, the Standard & Poor's 500 Index gained for the sixth consecutive week, according to Bloomberg, and yields on most maturities of U.S. Treasuries moved higher.

Data as of 12-8-2023	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.2%	19.9%	16.2%	7.5%	11.8%	9.8%
Dow Jones Global ex-U.S.	0.0	7.6	6.5	-1.8	3.5	1.3
10-year Treasury Note (Yield Only)	4.3	N/A	3.5	0.9	2.9	2.9
Gold (per ounce)	-1.8	10.8	12.2	2.4	10.0	5.0
Bloomberg Commodity Index	-3.6	-13.3	-12.0	9.9	3.4	-2.5

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. *Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.*

AMERICANS AGREE ON SOME THINGS

The Old-Age, Survivors and Disability Insurance (OASDI) program plays a significant role in the lives of many Americans. In 2022, it provided monthly benefits to 51 million retired workers and their dependents, 9 million disabled workers and their dependents, and the dependents of 6 million deceased workers.

In 2022, the program spent $1.24 trillion and took in $1.22 trillion. From here on out, the program's spending is expected to exceed its funding. Under current assumptions, the trust fund will be depleted by 2034 – unless something changes.

An issue brief from the American Academy of Actuaries (AAoA) stated, "If Congress has not acted by 2034, we will be faced with an automatic 20% cut in benefits to people already receiving benefits, the need to immediately increase Social Security taxes by 25%, or some combination of cuts in benefits and increases in taxes." The AAoA discussed options for keeping Social Security solvent, including:

It's uncertain whether Congress will address Social Security funding before automatic cuts take place. If you would like to talk about the role of Social Security in your retirement plan, please get in touch.

Best regards,

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Sources:

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock 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.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

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* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.

* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

* Asset allocation does not ensure a profit or protect against a loss.

* Consult your financial professional before making any investment decision.

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