HORTER
INVESTMENT MANAGEMENT, LLC

Weekly Commentary
February 6th, 2023

As January Goes...

It is said that those who ignore history are condemned to repeat it. As such, analysts on Wall Street spend an inordinate amount of time on what are called historical analogs and seasonal patterns in the market. The idea to look back at the past and look for historical tendencies.

When the calendar pages flip from the end of one year to the next, there are several historical tendencies to observe. And given that many of these seasonal tendencies involve the performance of the stock market during the month of January, I thought this might be a good time to check in on the various trading tendencies and "rules" for the year.

First up, there is the "Santa Clause Rally" (also known as the "Year End Rally"), which looks at the stock market's performance during the last 5 trading days of the year and the first 2 trading days of the new year. As the saying goes, "When Santa fails to call, the bears will rule Broad and Wall." The idea here is since this period of time tends to be positive for stocks, if this rally doesn't happen, the bears are likely to be in charge of the game.

The good news is that, as you've likely heard by now, the S&P 500 gained 0.8% during the Santa Rally period this time around. Chock one up for the bulls.

Next up is the "First 5 Days of January" Rule. In short, the "rule" says, "As the first five days of January goes, so goes January." I'm not exactly sure how this so-called "rule" came to be, but according to the Trader's Almanac, when the first 5 days of January are positive, the S&P has been up the rest of the year 79.4% of the time and has enjoyed an average gain of 9.7% during the February through December period.

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"Everyone thinks of changing the world, but no one thinks of changing himself." -Leo Tolstoy

Taking a Comprehensive Look at The Overall Current Stock Market

In a truly diversified portfolio, the portfolio's assets are spread across several asset classes, so that the portfolio's total return is determined by the performance of all of the positions in combination – not individually based on one asset type. While diversification does not ensure a profit or guarantee against loss, it can help mitigate the risk and volatility in your portfolio.

Index		YTD
Morningstar Alternatives Fund (MSTVX)	▲	1.23%
iShares US Agg Bond ETF (AGG)	▲	2.92%
DoubleLine Total Return Bond Fund (DBLTX)	▲	3.53%
40/60 SPY / iShares AGG	▲	4.88%
60/40 SPY / iShares AGG	▲	5.86%
Vanguard Balanced Index Fund (VBINX)	▲	6.40%

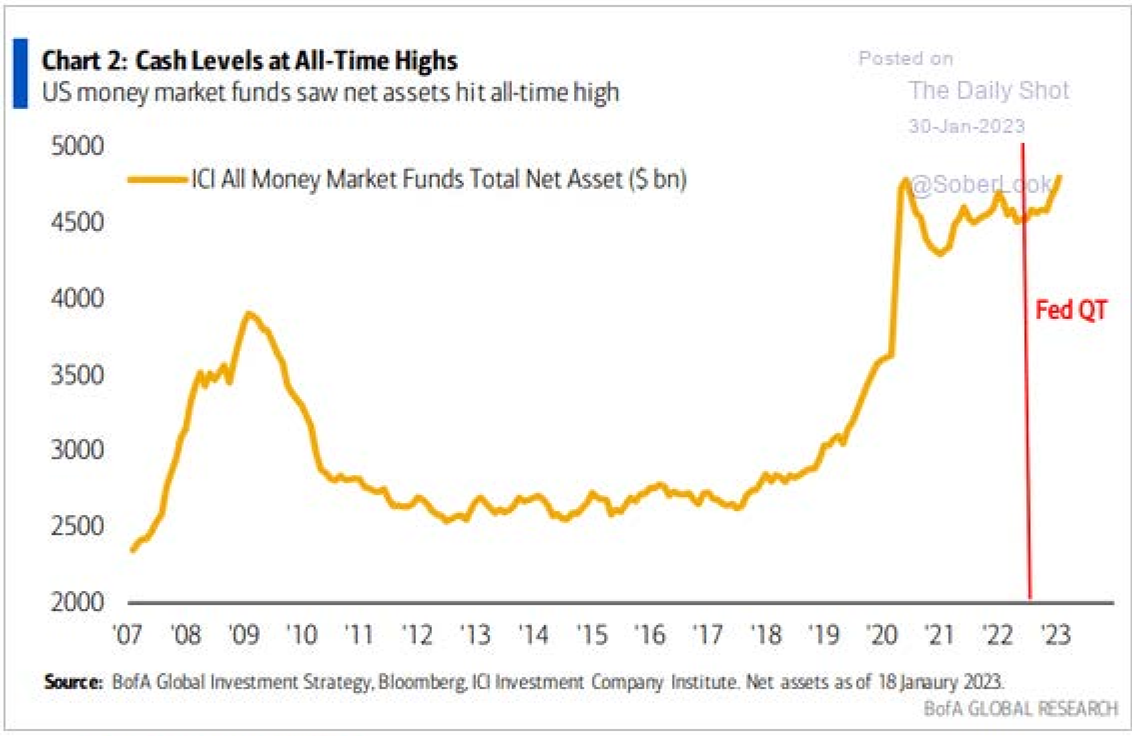
The chart above illustrates the performance of funds and ETF's designed to track major indices, including 2 Bond indices (DBLTX and AGG), 1 S&P500 Equity index (SPY), 1 Balanced index (VBINX), and 1 Multialternatives index (MSTVX).

The chart also illustrates the performance of 2 balanced portfolios combining both a Bond index (AGG) and an equities index (SPY) the portfolio with the lower exposure to equities (40%) and higher exposure to bonds (60%) would generally be considered more conservative than a portfolio with higher exposure to equities (60%) and lower exposure to bonds (40%).

A hypothetical portfolio consisting of an equal weighting to all of the examples shown above would be 4.14% year to date.

Chart of the Week

8. US money market funds' assets hit a record high.



Source: BofA Global Research

WEEKLY MARKET SUMMARY

Global Equities: Equity markets took another leg up in a data-packed week encompassing a Fed Policy meeting, high-profile earnings results, and January jobs data. The S&P 500 tacked on 1.6% while the Nasdaq gained 3.3%. Value stocks were out of favor as the Dow Jones Industrial Average trailed with a -0.2% weekly return. International stocks also lagged their domestic peers, with developed markets down -0.3% and Emerging markets -3.4%, giving back some of their year-to-date outperformance as the Nasdaq emerged as the new leader.

Fixed Income: 10-Year Treasury yields remained around 3.5%, where they have been most of the year, despite a brief mid-week dip below 3.4%. High yield bonds advanced 0.8% as the iShares iBoxx US High Yield bond ETF (ticker HYG) retested its August high. Weekly flows for high yield bond ETFs and mutual funds were negative at -$1.5 billion.

Commodities: Oil prices declined to $73.27 as of Friday afternoon, close to the lowest level of the year for US West Texas Intermediate crude. European Union officials continued to put pressure on Russia via a newly imposed $100-per-barrel cap on Russian diesel and a $45 cap on discounted products such as fuel oil. Despite reports that the sanctions are costing Russia as much as $174 million per day, Russian oil has had no problem finding its way to China and India, and Russian output remains steady.

WEEKLY ECONOMIC SUMMARY

Fed Issues Diminished Rate Hike: As expected, the Federal Open Market Committee (FOMC) scaled back its rate hikes to 25 basis points, while leaving the door open for further hikes. The market cheered Chairman Powell's press conference, particularly keying in on his comment that "the disinflationary process" has started. It is important to distinguish between "disinflation", which means a slower pace of positive price inflation, and "deflation", which is negative price growth. Nevertheless, Powell's tone was more dovish than his prior press conferences, and it seems that the Fed is finally coming around to acknowledging the data which the bond market has been pointing to for several months now.

Astonishingly Strong January Jobs Report: The January jobs report absolutely blew away even the most optimistic expectations, with 517,000 jobs added. For comparison, the high end of economist expectations was 260,000 and the median was 185,000. Unemployment declined to a 53-year low of 3.4%, leading many to question how, despite the Fed's best efforts, the economy can possibly tip into recessionary territory. Growth in average hourly earnings, which have been a major driver of inflation, also eased from 4.9% to 4.4% year-over-year.

Earnings Season: Three of the biggest US companies – Apple (AAPL), Amazon (AMZN), and Alphabet (GOOG) – all reported on Thursday after markets closed. However, it was Facebook-parent company Meta (META) that stole the show the day prior, with a solid earnings beat that sent shares up over 25%. Meta shares have been on a roller coaster ride, falling nearly -77% from their September 2021 peak to their low point in November 2022. Those shares have clawed back quite a bit of those losses but remain down over -50% from their high watermark. As for AAPL, AMZN, and GOOG, all three struggled in the fourth quarter, but still managed to post a collective $172 billion in profit in 2022.

National Headquarters: 11726 Seven Gables Road
Symmes Township, Cincinnati, OH. 45249
P: (513) 984-9933 F: (513) 984-5219 W: www.horterinvestment.com

Stock Market Score Card
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The Stock Market Scorecard is designed to provide a succinct summary of the "state of the market." The scoreboard includes indicators covering trend, momentum, mean-reversion, sentiment, and fundamental factors over the short-, intermediate-, and long-term time frames.

Indicator / Model	Current Signal	Indicator Rating	S&P 500 Historical Return*
Primary Cycle Analysis			
Secular Market Cycle		Bull Market	31.2%
Cyclical Market Cycle		Bear Market	-22.8%
Price Trend Analysis			
Short-Term Trend	Buy	Positive	NA
Intermediate-Term Trend	Buy	Positive	NA
Long-Term Trend Signal	Buy	Positive	9.4%
Momentum Analysis			
Short-Term Momentum Model	Buy	Positive	25.0%
Int-Term Momentum Model	Hold	Positive	12.0%
Long-Term Momentum Model	Buy	Positive	15.2%
Fundamental Analysis			
Economic Model	Hold	Neutral	-0.4%
Earnings Model	Hold	Neutral	11.9%
Monetary Model	Sell	Neutral	-12.6%
Inflation Model	Buy	Positive	13.0%
Valuation Model	Sell	Neutral	-0.6%
Overbought/Oversold Analysis			
Short-Term Signal	Hold	Neutral	NA
Int-Term Signal	Hold	Neutral	10.4%
Long-Term Signal	Sell	Negative	NA
Investor Sentiment Analysis			
Short-Term Sentiment Model	Sell	Negative	-6.6%
Int-Term Sentiment Model	Sell	Negative	-12.1%
Long-Term Sentiment Model	Buy	Positive	20.1%
		Current Scores Average Gain/Annum:	6.51%
		S&P 500 average gain/annum from 12/28/1979*:	8.82%

*(*Source: Ned Davis Research)*

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