HORTER
INVESTMENT MANAGEMENT, LLC

Weekly Commentary
December 11th, 2023

Words Matter

Stop me if you've heard this one before. Pullbacks in the markets end quickly when some Fed official, or better yet, a couple FOMC members say something "dovish." You know, something like, "We see signs of progress on inflation." Or "Policy is appropriate given the current data." Or, well, anything including the words "rates" and "cuts" in the same paragraph.

Almost instantly, the computers of Wall Street's high speed trading crowd start buying in response. Never mind the fact that Jay Powell & Co. have made it very clear, as in "crystal" clear, that the Fed is in a data dependent mode and that rates are expected to remain "higher for longer" until the committee gets what they want. I.E. Inflation moving back to/toward their stated 2% target.

Forget about that. No, when dovish comments arise, traders large and small start salivating about the idea of the Fed having their backs again. Being "friendly" as opposed to antagonistic. And for rates to be moving down instead of up.

Before long, all anybody can talk about is how quickly the Fed is going to "pivot" from rate hikes to rate cuts. Bets are made. Futures are bought. Shorts are covered. Cash comes off the sidelines. Optimism returns. And just like that, Wall Street finds itself in its happy place.

We've Seen This Movie Before

Click Here to Read More

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.

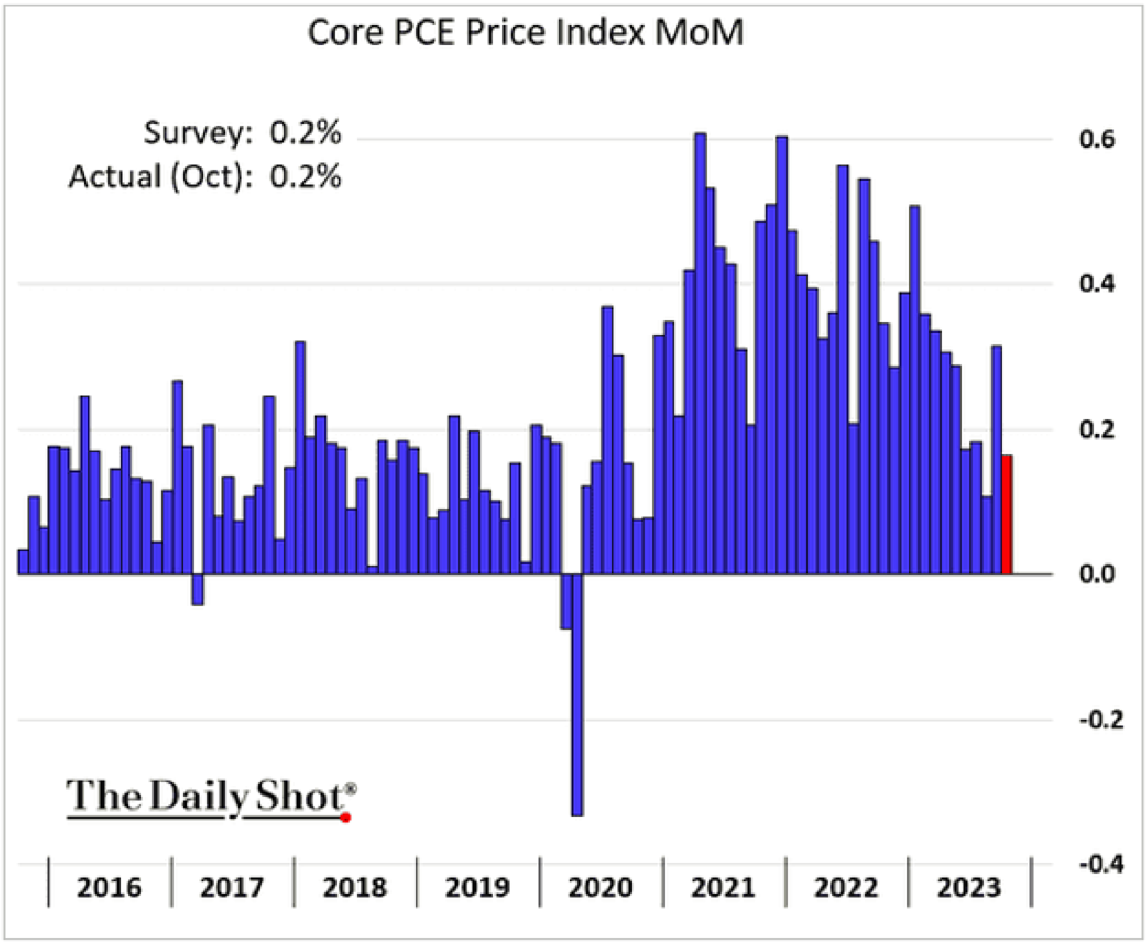
Index		YTD
Morningstar Alternatives Fund (MSTVX)	▲	5.35%
iShares US Agg Bond ETF (AGG)	▲	2.83%
DoubleLine Total Return Bond Fund (DBLTX)	▲	2.25%
40/60 SPY / iShares AGG	▲	8.07%
60/40 SPY / iShares AGG	▲	12.16%
Vanguard Balanced Index Fund (VBINX)	▲	13.39%

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 7.34% year to date.

Chart of the Week



Dow Jones - Week Ending

WEEKLY MARKET SUMMARY

US Equities: US equities pushed higher during last week's trading amid what looks like a rotational shift from large cap growth stocks to large value, small, and mid caps. The S&P 500 was up 0.2% for the week, which was good enough to notch a new 52-week high. The Nasdaq finished up 0.7% and the Dow Jones Industrial Average led with a 1.7% gain. Small cap stocks finished up 1.0%. Developed International stocks were down -0.1% while Emerging Markets lagged with a –1.8% week following a sovereign debt downgrade of China by Moody's Ratings.

Fixed Income: Treasury yields continued to slide, with the 10-year yield touching 4.1% before rebounding on stronger than forecast jobs data to end the week above 4.2%. Falling rates caused the average 30-year mortgage to ease to its lowest rate level since August, around 7%. High yield bonds took a breather following an impressive run up, finishing the week down -0.2%.

Commodities: Oil briefly dipped below $70 a barrel amidst a seventh consecutive weekly decline. US gasoline prices have fallen to their lowest levels since 2021. The national average gas price was around $3.23 midweek, and some analysts are estimating that gasoline could be below $3 a gallon by Christmas.

WEEKLY ECONOMIC SUMMARY

Jobs Data: The November Jobs Report showed 199,000 jobs gained, slightly higher than estimates and up from October's 150,000 increase. Job growth has moderated some, which provides a bit of rationale for the Fed to stop hiking interest rates and begin considering a timeline for cuts. However, some of the underlying data may keep the Fed in a hawkish posture. Notably, average hourly earnings increased from 0.2% the prior month to 0.4% and the average workweek increased from 34.3 to 34.4 hours. Wage growth is an issue for the Fed since it increases discretionary spending, which has been the biggest driver of inflation.

Consumer Sentiment: The University of Michigan Consumer Sentiment Survey increased for the first time in five months, jumping from a six-month low of 61.3 all the way to 69.4, its highest reading since August. Consumers expressed confidence in falling inflation and the upcoming election cycle, and overall optimism around business conditions. Consumer spending has driven economic growth but also inflation.

Fed Pivot Watch: The Fed is on blackout from speaking leading up to the December 13th policy meeting announcement, but that didn't stop investors from speculating over the path of interest rates in 2024. Fed Fund Futures mid-week were pricing in as high as a 60% likelihood of rate cuts by March 2024, although those odds eased to 45% on Friday after the Jobs Report. The Fed will release a dot plot showing its own interest rate projections, which will undoubtedly show far fewer cuts than the investing public believes will occur.

Stock Market Score Card
December 11th, 2023

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		Bull Market	36.8%
Price Trend Analysis			
Short-Term Trend	Buy	Positive	NA
Intermediate-Term Trend	Buy	Positive	NA
Long-Term Trend Signal	Buy	Positive	9.5%
Momentum Analysis			
Short-Term Momentum Model	Buy	Positive	24.9%
Int-Term Momentum Model	Buy	Neutral	11.8%
Long-Term Momentum Model	Buy	Positive	15.0%
Fundamental Analysis			
Economic Model	Buy	Positive	10.2%
Earnings Model	Buy	Neutral	10.5%
Monetary Model	Buy	Neutral	7.2%
Inflation Model	Buy	Positive	12.6%
Valuation Model	Sell	Neutral	-0.3%
Overbought/Oversold Analysis			
Short-Term Signal	Hold	Negative	NA
Int-Term Signal	Sell	Negative	-2.4%
Long-Term Signal	Sell	Negative	NA
Investor Sentiment Analysis			
Short-Term Sentiment Model	Sell	Negative	-6.1%
Int-Term Sentiment Model	Sell	Negative	-11.6%
Long-Term Sentiment Model	Sell	Negative	-0.7%
		Current Scores Average Gain/Annum:	9.58%
		S&P 500 average gain/annum from 12/28/1979*:	8.91%