BROKERAGESELECT NEWSLETTER

Social Security

Retirees received an historic 8.7% COLA adjustment in 2023. With inflation decelerating throughout the year, the COLA adjustment for 2024 will not be as lucrative. Moody's Analytics is estimating that the increase will be 3.2%. Offsetting the increase will be higher Medicare premiums.

Broadband

Cable is not the only game in town when it comes to broadband service. With 5G technology, cell phone service providers are offering high-speed internet. Consumers should inquire whether they could save money by using this new technology.

Sales Tax Holiday

Check with your state and locality if there is a back-to-school sales tax break period. Many states offer lower or even no sales tax on certain items like clothing and school supplies. There may be amount limitations and other restrictions.

Perspectives

It hardy seems it but we are half way through 2023. Just as unbelievable is that the stock market is having a good year. The S&P500 is up just over 18%. The bond market has been ok too. There has been a lot of volatility in rates as traders hang on every economic report and every comment a Fed governor makes all in an effort to try to divine the future direction of interest rates. The iShares Investment Grade Bond ETF (LQD) is up almost 4% while this year's return on the iShares 7-10 year Treasury ETF (IEF) is 2.14%. We also should mention that the 1-year US Treasury note yields 5%. There has been something for everyone in the markets this year. The very conservative can get 5% on safe US government paper and those taking risk have made money. This has been quite positive despite the rather negative sentiment that is portrayed in survey data and in parts of the media. Share price action is often a better indicator of the real "story" than what you hear from analysts or the press. Share prices show where people are "putting their money where their mouth is." This is not to say that all is clear and well. The market has priced in a lot of optimism around inflation coming under control and optimism about AI as an investable concept. Critics of the market focus on how AI exuberance has caused a handful of companies' stock prices to explode higher, making the market appear better than it is. There is some truth to this. Microsoft, Nvidia, Google and Meta are AI favorites and have big weightings in the S&P500. The equal-weight S&P500 ETF (RSP) is up just 8.7%. This is about 9 percentage points behind the S&P500. For the market to continue to move higher this year, inflation needs to continue to moderate, corporate earnings need to hang in there and it would be constructive if the rally broadened out to more sectors than just technology. Over the next few weeks we will be getting earnings reports. The set-up is not the best as the market has rallied into earnings season. We could have "sell on the news" type action or there could be outright disappointments. We've had a good year so far, I'm not bearish but a little defense is not the

“This next song’s about spreading risk in a volatile market by diversification.”

Something Else

Can you chill red wine? The answer is yes. In fact, according to Jancis Robinson, the Financial Times wine writer, not only can you but you should. Wine loses its taste above 68 degrees. Most bars and restaurants serve wine too warm. The same goes for white wine. For summer, focus on lighter reds with lower alcohol content. Try red wines from the Loire and Beaujolais. There are always whites for summer. Riesling and Sauvignon Blanc are refreshing. If you like stronger whites like Chardonnay, go for Chablis or Sonoma which are lighter and crisp.

BrokerageSelect is a boutique securities broker-dealer that sets itself apart by providing expert knowledge and dedicated service to our clients.

BrokerageSelect
364 West 117th Street Suite 5A
New York, NY 10026
877-301-1550 (v)

www.BrokerageSelect.com

worst tactical approach as we sort out inflation numbers and the profit picture.

Out Of The Box

Inflation will continue to be the story to watch as we move into the second half of 2023. The June report showed a moderation of prices which was welcome and the stock market rallied. It is difficult to predict inflation for two reasons. The first is that there are so many variables that go into the calculation. Many of these, like used car prices and energy, can be volatile and with the case of energy subject to geo-political risks that can come out of the blue. The second is the inflation calculations themselves. Items are weighted in ways that may or may not truly reflect what happens in the real world. These weightings change over time based on calls made by the statisticians that are in charge of producing the figures. Small changes in items that have large weightings can produce outside moves. Similarly, large moves in items with small weightings also can exert undue influence on the numbers. Then there is the question of which inflation indicator is the one to use? CPI, CPI-core, PPI, PPI-core, or PCE. Each are calculated differently and each has its following. In 2022 inflation rocketed upward and then came down. This will make year-over-year comparisons messy as the numbers in 2022 moved around a lot. Even if 2023 inflation prints are stable, the year-over-year change could vary. Some inflation watchers are writing that since the 2nd half of 2022 saw a steady decline in prices, the comps are more difficult for the 2nd half of 2023 and that even if prices are steady or down slightly, it may still, on a year-over-year basis, show inflation rising. Of course, what really matters is how the Fed interprets the data. Conventional wisdom says that it takes six months for a rate hike to be felt in the economy. If true, the tightening impact of the recent Fed increases has yet to be realized. The fallout from the Silicon Valley Bank debacle has caused banks to tighten their lending and use of capital. On the expansion side, the spending from the Infrastructure Act, Chips Act and Inflation Reduction Act is just beginning. It is probably too early to declare victory over inflation and investors need to keep some powder dry in case we get a bad inflation number that creates a buying opportunity.
