

February Market Update

-  **Market Commentary**
-  **The Independent Advisors Podcast**
-  **Special Holiday Hours**

Market Update

After closing out the worst year for stocks since 2008, 2023 is off to a much-welcomed strong start. Below are the January returns for popular benchmarks that investors track (Data provided by Y-Charts & Commonwealth Financial Network):

- S&P 500 Index: +6.2%
- Dow Jones Industrial Average: +2.8%
- Nasdaq Composite Index: +10.7%
- Russell 2000 Index: +9.8%
- S&P Target Risk Moderate Index: +4.94%

Even though we are only one month through the new year, we are encouraged by the market performance thus far. We have seen broad moves higher in most industry groups, sector groups, and stocks all around the world. In addition, aggressive areas of the market are outperforming, and defensive sectors are underperforming, which is exactly what we want to see (Source: Y-Charts).

Sector Summary	
Sector	YTD
Cyclical	
Consumer Cyclical	15.13%
Financials	6.90%
Materials	8.97%
Real Estate	9.91%
Sensitive	
Comm. Services	14.77%
Energy	2.81%
Industrials	3.71%
Technology	9.26%
Defensive	
Consumer Defensive	-1.09%
Health Care	-1.83%
Utilities	-2.00%

Asset Class Summary	
Asset Class	YTD
S&P 500	6.28%
Global Stock Ex U.S.	8.11%
U.S. Bond	3.08%
Global Bond	3.28%
Commodities	-0.49%

January Trifecta

As discussed in several instances in previous market updates and [podcast episodes](#), the January Trifecta indicator has done a phenomenal job of explaining how the full year could potentially play out.

The period dubbed "The Santa Claus Rally," which is the last five trading days of December plus the first two trading days of January, was positive for the S&P 500. The first five trading days of January were positive for the S&P 500. And lastly, the S&P 500 was positive during the full month of January. As you can see below, the data indicates that we could be in for a strong year.

As always, we take this information with a grain of salt and use it in combination with other key metrics to determine our investment outlook.

If Stocks Are Down the Previous Year, This Trifecta is Very Bullish

Trifecta Of The Santa Claus Rally, First 5 Days of the Year, and January All Green (1950 - Current)

S&P 500 Index Returns					
Year	Santa Claus Rally	First 5 Days	January Return	Previous Year Returns	Full Year Return
1954	0.5%	1.7%	5.1%	-6.6%	45.0%
1958	2.5%	3.5%	4.3%	-14.3%	38.1%
1961	1.2%	1.7%	6.3%	-3.0%	23.1%
1963	2.6%	1.7%	4.9%	-11.8%	18.9%
1971	0.0%	1.9%	4.2%	-0.1%	10.8%
1975	2.2%	7.2%	12.3%	-29.7%	31.5%
1995	0.3%	0.2%	2.4%	-1.5%	34.1%
2012	1.8%	1.9%	4.4%	0.0%	13.4%
2019	2.7%	1.3%	7.9%	-6.2%	28.9%
2023	1.4%	0.8%	?	-19.4%	?
Average					27.1%
Median					28.9%
% Higher					29.0%

Source: Carson Investment Research, FactSet 01/11/2022

The Santa Claus Rally is the final 5 trading days of a calendar year and the first two of the following year.

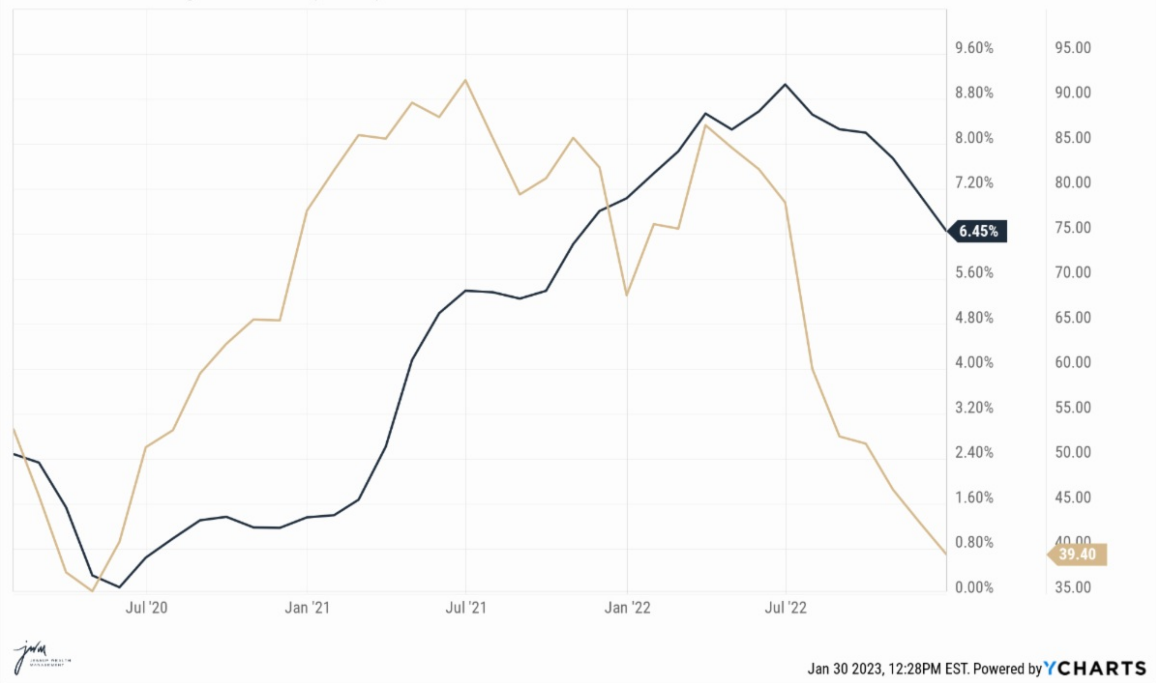


Inflation & Interest Rates

The Consumer Price Index peaked in June at around 9% YoY and has continued to fall since. This is one of the key indicators used to judge the inflation rate. If inflation continues to moderate, we would expect the Federal Reserve to ease off their rate hiking campaign at some point later this year, which we believe will be positive for stocks and the economy.

The US ISM (Institute for Supply Management) Manufacturing Prices Paid index has also dropped dramatically from its peak in June of 2021. In fact, the last reading in December showed a drop of over 42% from December 2021.

- US Consumer Price Index YoY (I:USCPIYY)
- US ISM Manufacturing Prices Paid Index (I:ISMMPPI)

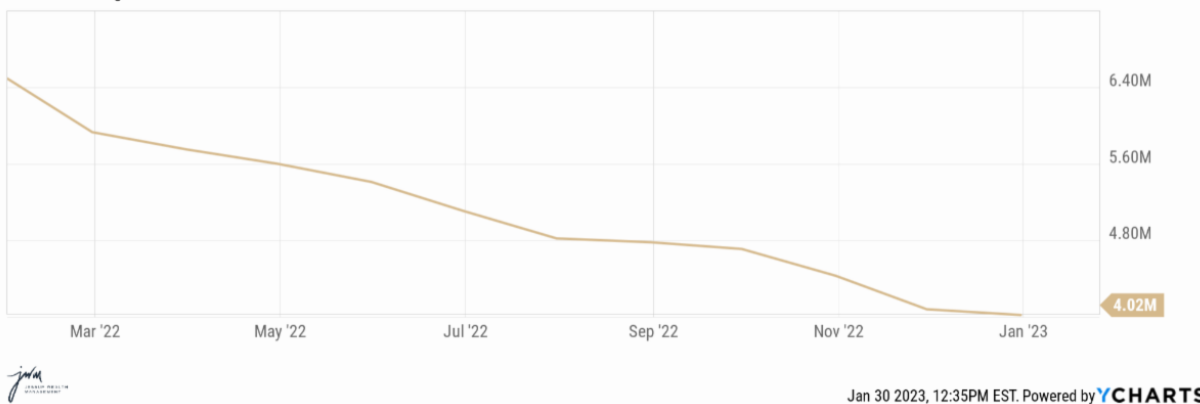


The housing market continues to cool off, with existing home sales down **-33.99%** from one year ago and the average 30-year mortgage rate below its peak from last year (Source: Y-Charts).

- 30 Year Mortgage Rate



- US Existing Home Sales

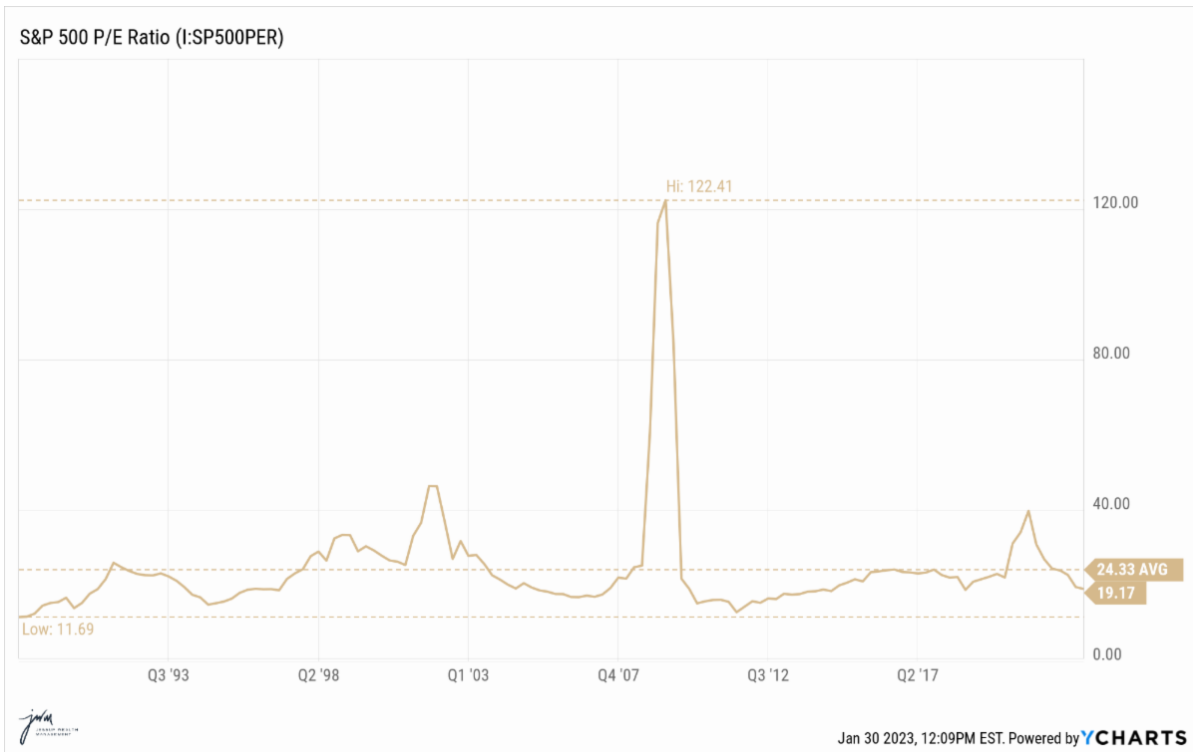


Valuations

I touched on valuations in our December newsletter and came across more research supporting our view that valuations are now a tailwind for stocks. If you remove the largest six companies in the S&P 500 (AAPL, MSFT, AMZN, GOOGL, BRK.B, GOOG), the PE Ratio would be approximately 13, which is well below the historical average. The S&P 500 PE ratio currently sits just above 19 (Source: Y-Charts).

This shows how much impact the largest companies in the S&P 500 have on the overall

index.



As always, don't hesitate to reach out to our team with any questions you may have.

Regards,

Mark McEvily

Chief Investment Officer

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MARK MCEVILY

MATTHEW JESSUP



THE INDEPENDENT ADVISORS

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We are taking listener questions! Email, inquiries@jessupwealthmanagement.com, for anything you want us to explain, debate or highlight in our weekly podcasts!



Special Holiday Hours

- Our office will be closing early on Friday, Feb 17th. We will be in the office from 9:00 am to 12:00 pm. From 12:00 pm to 4:00 pm, you can reach us remotely via our office phone.
- Our office will be closed Monday, Feb 20th, in observance of Presidents' Day.

Our growth allows us to advise more clients!

We have added amazing new hires to the team and are even increasing our physical office footprint! This growth equips JWM with all the tools to allow us to advise more clients, while maintaining the premium quality of service we pride ourselves on! We would greatly appreciate your client referrals. Let us care for those you care about!

Jessup Wealth Management Inc.

Office: 937-938-9105

Address: 35 Park Ave, Dayton, OH 45419

www.jessupwealthmanagement.com

