**AWM Insights 193 Transcript**

Justin Dyer ([00:04](https://www.rev.com/transcript-editor/shared/i5hYFb3huCr7LtjO-CzPHxABy-NrbIJK3QP34BafNUYEpIm9tRlRBwfFy2VPLpgW2ADGA5gqS5DKThBLPT43I_OPioA?loadFrom=DocumentDeeplink&ts=4.71)): Hey, everyone. Welcome back to another episode of AWM Insights. We've got a rotating bench here as we've been in the middle of a busy time of year. Tax season, spring training season, so lots going on here at AWM, but really, really good to get out there and connect with clients obviously, but here we are with the two CFAs. Mena, thanks for joining us again. Given that, we've got the two of us here, the two nerds in the firm, if you will. We're going to do a little bit of a market, not a deep dive, but just market flyover. We're approaching the end of the quarter. There's lots going on, lots of headlines out there. We wanted just to spend a little bit of time, make sure everyone listening is up to speed and understanding what's going on in the marketplace across the board and the economy more broadly.

([01:03](https://www.rev.com/transcript-editor/shared/hsg_g-ECxAdUbJi4R_R9BwWSstufTEyYcGJlDTs1VzhpWpJaT01oD--OH_yJPK5FVktvFwtVLWK93iKEuZ0Np3NCr58?loadFrom=DocumentDeeplink&ts=63.99)): With that, we're going to start on the economic side of things. The economy is not the stock market. We always want to preface it. The two things are certainly related but oftentimes operate with different drivers and sometimes operate with the same drivers. It's very hard to predict that. Mena, why don't just give us a flyover? What's going on in the economy? Inflation's been a pretty prevalent topic for, gosh, the last two plus years, still there. Talk about that and also what's going on with jobs and just the overall economy.

Mena Hanna ([01:39](https://www.rev.com/transcript-editor/shared/oAERE_1Ez-ZDPtt2VWGsX2W5bvxbYjdj5AnLdK_PpbshYz227UJGRszRmLf6XW5JuSpdGVpMt1CbQHONfi5h6HBx2As?loadFrom=DocumentDeeplink&ts=99.57)): Yeah, absolutely. We just had an inflation print yesterday that came in. It was slightly higher than expected, but it showed that inflation's continuing to trend down. There's no spikes as a lot of people have been fearing. Even though inflation is coming down, obviously not happening at the rate that everyone would hope for, but the market reacted positively that there were no, I guess, skeletons coming out or horrible prints. That was positive. Yesterday was a very positive day in the market. In terms of other factors that the Fed looks at when they're looking to make interest rate decisions, GDP has been strong as of late and continues to be strong. We'll touch on earnings, but the state of companies and the economy in general looks to be very, very healthy. Employment is also strong. It is trending in the direction that the Fed wants to see, where unemployment has slightly ticked up and underemployment has also slightly ticked up, but relatively speaking, we're still below historical numbers in terms of both underemployment and unemployment. Generally, all these factors, which the Fed looks at, they're stronger than expected and point to a healthy economy.

Justin Dyer ([03:04](https://www.rev.com/transcript-editor/shared/FLz7rhe6feSp4858-8BaxpvNtraI-BN65xSs6GIeNv3jBr1YY9AtByPUOmkH9jLwyfu3-dm1blZUMwhVajEiO5TZSQw?loadFrom=DocumentDeeplink&ts=184.05)): But with that, the interest rate picture or, yeah, let's just call it picture, has changed a little bit three months ago maybe, let's call it the end of last year into the beginning of this year, market participants were pretty convinced, let's say, that interest rates were going to come down pretty quickly and pretty soon. That picture has changed, right?

Mena Hanna ([03:29](https://www.rev.com/transcript-editor/shared/XN1JyIqoXhXjFo1jSY2Tm_axf-iNlw8fBigbWN5wpgTO76-XtkGyhL4E2yDGlDmCOSp7n7H3G0su4Z69OeAeWJ9yFOI?loadFrom=DocumentDeeplink&ts=209.79)): Definitely, yeah. At the start of the year, I think, there were six rate hikes that were forecasted. They were forecasted to potentially start in February or March. Obviously, that hasn't happened yet. As we keep getting these strong inputs from the economy and the Fed sees that nothing's breaking, everything is holding up, and inflation is there in a sticky manner, it's pushing that agenda to cut rates later and later. Now, it's forecasted to potentially start in June.

Justin Dyer ([04:04](https://www.rev.com/transcript-editor/shared/Lb1VXSSqDYfOVyHxI7sqyxFatPOCecBRCMD5ZFEO-ErBjkQ9MuGecMvbdHUtLv8La6awey-b27LlJhz6a23LR44Z3lg?loadFrom=DocumentDeeplink&ts=244.95)): Why I bring that up for our listeners, just to bring some context to this conversation. We don't want to just talk with this financial jargon and bore you guys, but interest rates are really a foundational variable or input into both markets and stock or equity market pricing, but then also what you get on cash when you're keeping it in a savings account. It's not the only thing. There's, again, so many variables that go into the whole market mechanism, but interest rates being a pretty, pretty important one. As expectations shift, it has potential to change further expectations over the short term certainly. Now, I want to preface or caveat that with even though we see these changes predicting how they're actually going to affect the market certainly over the short term but also over the long term is really a game we don't believe in playing the data. We just really doesn't support playing that prediction game. As such, let's shift a little bit to the broader market, the stock market. What have we seen? What's going on? Given the economic data you just highlighted, what's going on in the market?

Mena Hanna ([05:18](https://www.rev.com/transcript-editor/shared/5_iNI8Lqff07CRSZiA0P8aDFzvPsnj6EuKZGb-fuqaShmifstqaJG1IT3IJyMlXeZVYEBuaOjKneSqtjo85ovBggzu8?loadFrom=DocumentDeeplink&ts=318.39)): Yeah. The strong economic data has led most U.S. indexes to be at all time highs right now. The S&P Dow and, I believe, the Nasdaq are all trading at all time highs or near there. The story is similar in international developed markets. You see a few big countries. Japan just broke its 40 year or 43-year-

Justin Dyer ([05:43](https://www.rev.com/transcript-editor/shared/tveCGujXuV6mhAir9rw42TwktfINRjw77w0p8efF783JSkKVM0l7uWEO0Ibbg7BQfCnAqsuIPT2VpxAEei-MDu9QUjc?loadFrom=DocumentDeeplink&ts=343.74)): Yeah. That's right.

Mena Hanna ([05:44](https://www.rev.com/transcript-editor/shared/p5x-7y90HAuLS7kA4BkQTNKfH__o8RUcdvPHal9Oy2Dro2e8xv2yCVwIheWjaip1OX4CMne9XDSYgO81gxY4VM0tnCA?loadFrom=DocumentDeeplink&ts=344.91)): Yeah, draw down. Now, they're near all-time highs again. I think they just came down from them. But a lot of developed international markets have reaped the benefits of the strong general global economy, and emerging markets still are down. Obviously, China is a big reason as to why India has been performing very well, and we've been seeing a bit of a shift on that end in emerging markets. But with interest rates potentially coming down in the future with the dollar potentially softening, it should bode well for emerging markets.

Justin Dyer ([06:23](https://www.rev.com/transcript-editor/shared/ZWyvbLEuac7A1DOn9AgolKYhjpac3z0I64SohRXUmNh5vXtzrP7gUE2rzLMWN4F1z9fh6NmddtkfJHyO-cs4rv8cr_c?loadFrom=DocumentDeeplink&ts=383.73)): That's great. Another driver you alluded to this is earnings company health. We monitor that, unfortunately, on a quarterly basis, but we have a pretty clear picture of what happened in... This would be Q4 of 2023. We now know really essentially what the complete S&P 500 looks like. Give us an overview of how the quarter wrapped up.

Mena Hanna ([06:47](https://www.rev.com/transcript-editor/shared/ik4CifWp2k1jMq1cJMiGUFth6w__Yds5y4IwfoCQZoYEkz5E8z1YEUBxRDpjr3WLWtkRn9MhUxiK4CS23V3qGF2iaz8?loadFrom=DocumentDeeplink&ts=407.13)): Yeah. Q4 earnings, we mentioned they were strong. They were trending down for a period in the quarter. That was due to lower operating margins, so companies were less efficient with their earnings. But that's actually, as more companies have reported, that's leveled off and it's pretty positive earnings quarter. Earnings are up about 4%, which is pretty solid quarter over quarter.

Justin Dyer ([07:17](https://www.rev.com/transcript-editor/shared/BANKtKgKLQVpoGwsXsfglAqh9QoiJhUOlYQ7TVVW6AFgZZMXVai7NhChx-rhCV4XtWK1pIJbklCWOiRZIkRMvE5TUbQ?loadFrom=DocumentDeeplink&ts=437.76)): I should have said this at the outset, earnings are just a different word for profit. We're talking about the profitability of publicly traded companies in this little section right here. I think a lot of this good data is supporting at least a narrative that some green shoots are starting to show when it comes to IPOs. IPOs stands for initial public offering. That's when a company can go from being a private company to being a public company, and you can buy and sell it on the New York Stock Exchange or the NASDAQ or something like that, through a brokerage account or something. They call it the IPO window. The activity in the IPO marketplace has been really, really, really, really slow for the last almost two years, I'd say.

([08:07](https://www.rev.com/transcript-editor/shared/1rjCWJNjMf5xBk2OdeZ_gJQmzacK1PSrqTKb4bfBUQ4ebL4mX25vVzZtHnADSv8yTZf7l_jO3C5pobVg38dR4puqd1U?loadFrom=DocumentDeeplink&ts=487.26)): We've seen some companies, some more high profile companies, Instacart being one of them, go public. Birkenstock did it a couple months ago as well. But we've got one that's really on the cusp and making some headlines that should go public in the next couple of weeks, which is Reddit. I just want to highlight this is potentially something that is definitely worth paying attention to. If the Reddit IPO goes well, I think it will bode well for a lot more to follow, which certainly helps our private market activities and investments. It potentially will get venture capitalists and some private equity sponsors comfortable with bringing their private company investments public as well, which the nice thing about that is it's a form of getting liquidity.

([08:53](https://www.rev.com/transcript-editor/shared/ClbT72jiA3EvPYrBHyNSj5ltxAbxoULWiF2HMZh98uI8WKvrOGOwFG1xVmjgRXgwfde3EIQ55jt9zHQWeTjUyQdkHxo?loadFrom=DocumentDeeplink&ts=533.79)): Liquidity basically means turning something that's private, and you can't necessarily transact it and turn it to cash easily to the public markets, where it becomes pretty easy to buy and sell and get cash on a fairly regular basis, so certainly keeping an eye on that. Another just trend based on a lot of this positivity is some speculation we're turning to the market. Why don't you hit on that? I think this will tee up another podcast that we'll focus on either next time or the following episode.

Mena Hanna ([09:22](https://www.rev.com/transcript-editor/shared/yyRpCl0VVwwzowshUJRKBkPV8ZMyoyWY2NJIc1zSbclxFErCayYW-RQ5ynReqlJ4YxiHCJAOlY_WAErd6LOA3Zu3VIM?loadFrom=DocumentDeeplink&ts=562.2)): I'm sure people are just starting to hear now about crypto again after probably a two to three-year hiatus. But yeah, crypto's Bitcoin is trading near an all-time high, broke $70,000, and has been gaining a lot of steam, and been just more in the press and in the standard news recently. Definitely a topic that people are discussing, and that usually bleeds into a lot of the other alternative coins, the smaller coins. As Bitcoin does well, usually there's speculation that trickles into the rest of the crypto space. Yeah, that's something that I won't get into too much, but it's something to look out for. That kind of speculation also usually translates to run-ups in value of small growth companies, and people just making bets, and gambling more than investing, in a sense.

Justin Dyer ([10:20](https://www.rev.com/transcript-editor/shared/WoMMwC1iP8a8r2as_VMA089tWzwVAHKS4X0xMjmHBd57jsVO0l0xslwn0KKViusMkcGbon_QyfwRsxpT6RkLi6NbsxU?loadFrom=DocumentDeeplink&ts=620.46)): That's a great segue or point to wrap on. We are talking about a relatively short point in time here, just giving a pulse of the market, which is good. We all stay very informed and make sure we're keeping a pretty close pulse on the market. We also want clients to understand what's going on and listeners to this podcast, but also, with that, really understand that this is the long game. Investing is not speculation. There's very different attributes to those two words. We really want to take this tried and true methodical data-driven approach to long-term investing and chasing fads. Getting lost in the noise, let's say, is certainly something that we want to remind all listeners to try and avoid. Really stay disciplined, pay attention to the data, stay invested for the long term, and not get caught up in new market highs or Bitcoin breaking through its high, et cetera, et cetera.

([11:26](https://www.rev.com/transcript-editor/shared/ocM6yPeRg9PdAb1cm8PNINcWO5GAJ-FKRGK5mj5zM3wMc38KLt7qa6Pa_MMQAPDzkOaZDEg-aZVATUDKK9XU0f34gBA?loadFrom=DocumentDeeplink&ts=686.73)): There's ways in which you should think about all of these various topics, and we'll probably slice and dice some of these. We will slice and dice some of these in a little bit more detail, crypto being one. We'll unpack our viewpoint on that in future episodes. With that, we can wrap. If you guys do have any questions, certainly know how to get ahold of us. Please send questions our way. It helps us tailor these podcasts to be really, really effective to the audience here. But until next time, own your wealth, make an impact, and always be a pro.