Justin Dyer ([00:03](https://www.rev.com/transcript-editor/shared/ORKF3r_2hbiNNCLbWBMFYPJ86j3ukpR-FcXr-L55nRjSLD63vgnEvdLO7xMzoUbl8NdR4XuCT_7kyIXcaOK4uph28wo?loadFrom=DocumentDeeplink&ts=3.09)):

All right, everyone. Welcome back to AWM Insights. Brandon is out today on a much deserved PTO. Guy doesn't take it too often, so happy he's out taking some vacation and really unplugging. We've got Mena, the other CFA on the team here, so we're going to try to keep this out of the weeds, not nerd out too much here, but dovetailing with our conversation last week around interest rates and the building blocks and how you can decompose expected returns into various building blocks.

([00:42](https://www.rev.com/transcript-editor/shared/ca4cQSJBRzApFwMj2eBvWGcLXi8_I1_2VIYzDi9T0ZXhu-KzCLeJBBsjxoU2qbsXlI39tU9dSoCaXulJZ0VeDDaW2cc?loadFrom=DocumentDeeplink&ts=42.42)):

Continuing that a little bit into this week's episode, and also spurred on by some recent market events. So focus today is a quick pulse of the market, carrying from the conversation around interest rates last week into this week. There's been a lot of news, a lot of... I shouldn't say a lot of news. A couple specific news events that have really driven markets up quite a bit. Certainly as of this recording, markets are reacting quite favorably to what we're seeing in the overall marketplace. So going to just talk through that, give you guys a sense of where we stand, what's driving markets, and then wrap it really with some reminders as we enter the end of the year here. So Mena, I'll turn it over to you. Just give us a quick update. What's driving markets right now? What are markets doing as a result of the news we're seeing?

Mena Hanna ([01:37](https://www.rev.com/transcript-editor/shared/zchQDrEQ9VR1q00wLhy2t_2509ri7X_5qubMt8yTE-s5a8j0Eab7h7RXe-Q5ynmbym97dnriIPKDlsy87TXTuVRHEEc?loadFrom=DocumentDeeplink&ts=97.29)):

Yeah, we've had a busy week so far, recording this as of Wednesday. We had our investment committee meeting yesterday, Tuesday, and it was great for the market to pretty much support the rhetoric that we were presenting to the committee. Markets yesterday rallied very strongly. There was a CPI print that came out at 3.2%, which [inaudible 00:02:01]-

Justin Dyer ([02:00](https://www.rev.com/transcript-editor/shared/uscf_JJsqYFc-hMZlcDEV7DOdzY9zyLpyzppes4_PaQt9wsdrDbhG7RUY-Rd26MyF6WiorAOg6iA98TigQy4vDuhKBY?loadFrom=DocumentDeeplink&ts=120.57)):

CPI being inflation, a big common measurement people pay attention to for inflation.

Mena Hanna ([02:05](https://www.rev.com/transcript-editor/shared/HIKCYGIPmLoVMkVddMGHFrBCYfGkDuVeqPSY9QxOvQ5ZvOVqnl5oESkIH55UPZ-Xh-MCHWCM3aGORVwGCbhz0ZtNnIU?loadFrom=DocumentDeeplink&ts=125.61)):

Yeah, consumer price index. So that was the most positive print that we've seen in over two years now. And yeah, the market reacted favorably, sees the Fed not raising rates in the future, and the futures actually now show that the Fed might cut rates in 2024. So just very optimistic in terms of where inflation's at and how the Fed is going to handle markets. Also today, producer price data came back with an unexpected drop in producer prices of half a percent. So yeah, back-to-back days of good news.

Justin Dyer ([02:46](https://www.rev.com/transcript-editor/shared/ufgHSme3SlZP85rJZ4vaDSNcrQ28Rv11UykYGJbzQAcVux0Av-Hn4dII3_r-qsoJLbD3YF6rTCR4gngImcZad2u_LbI?loadFrom=DocumentDeeplink&ts=166.35)):

So it seems like the Fed, the Federal Reserve, is really landing this 747 or turning the aircraft carrier. There's all these different analogies. They're landing this thing, being the US economy. And largely as a result, the global economy, right where they want it to, at least right now. We can't predict the future. You always hear us talk about that on this podcast. So all signs are pointing in a very positive direction and that the Fed is executing on what they're trying to do.

([03:21](https://www.rev.com/transcript-editor/shared/md-GMHnt5A6tCMy_2N0HwStG12zrtQxCsWVTs5zGbTaqyZIRpcNhSBdhKz8hCQZUOCJFjRZx548dgyU69u0BQjFTR48?loadFrom=DocumentDeeplink&ts=201.12)):

Speak a little bit to the specific areas that are doing well. It was a good day, or it's been a good week overall for the markets, but certain areas have done a lot better. The quick punchline there is: areas that have been beat down a lot because of interest rates and inflation are largely those areas that are doing quite well. But yeah, give us some highlights there, Mena.

Mena Hanna ([03:47](https://www.rev.com/transcript-editor/shared/n7roxMIKpGjHd8sR3Lk62UDLxge1crXmvsiufpBZl4pQDDWRHJ71FAJjEnss6TydSGacWp_8rwthplRN1YvSNZCw5vM?loadFrom=DocumentDeeplink&ts=227.61)):

The big indexes that you always hear about, the Dow S & P, Nasdaq, those were up between 1.5% and 2.5%. Small companies represented by the Russell 2000, that index was up 5%. So a lot higher than the numbers that you usually see financially quoted. And real estate, which is also another inflation-sensitive sector due to exposure to debt and interest rates, those positions in that index mainly rally close to 6%. So real outperformance in these underperformers as of late. But it's good to see, and the optimism obviously is there, and it shows you how fast things can change.

Justin Dyer ([04:36](https://www.rev.com/transcript-editor/shared/mF-gj7eASzlTlZz3VK0R3lstX-Ug6r5b24EqMyWjEMerAwJQFExM4bYjhMr4wYyrd_RGQozXMsI4_vk7gyz5ACdt_qM?loadFrom=DocumentDeeplink&ts=276.33)):

Yeah, totally. Really a drastic difference, I think. I can't remember how many episodes it was ago, but Brandon and I were talking a little bit more on the negative tone that was popping up, whether it would be China and the US, inflation and interest rates. Sentiment was bouncing all over the place over the last, let's call it Q3, and it seems to be crystallizing a little bit here as we enter the end of the year.

([05:06](https://www.rev.com/transcript-editor/shared/yeRdhaWNDoviYwsxrM_hOjvgOYK0pMgePtbRbcQ3A8YODsV6OO1ZEt_QSv2Lf4-rmyHAcVtQ8OtPMMLNmdVmCWxlmeQ?loadFrom=DocumentDeeplink&ts=306.9)):

Even on the geopolitical front, there's a big conference going on right now in San Francisco where President Biden and Xi Jinping of China are actually meeting face-to-face. It's, I heard it this morning, the second time they've actually got together face to face since both of them have been president. So there's still a lot of progress to be made with US-China relations, but the sentiment certainly is moving in a positive direction geopolitically and then also within the markets.

([05:37](https://www.rev.com/transcript-editor/shared/LOgg55S-_Nzd19FxIEZCcjj5nE7pSMLaoaP5OA0jpgA9bFQUgiwlqcjHFXWGnhUAFow_JylZUhesNZl-vEiSXCiMLRI?loadFrom=DocumentDeeplink&ts=337.29)):

You made a comment around how fast things can change, and I want to hit on that. This podcast is really designed for clients to listen into, or even people who are not clients, but to get some reminders and tidbits around really healthy, best in class, long-term investing. And certainly what we're seeing right now is a great reminder. So can you speak a little bit to the behavioral side of what we're experiencing right now?

Mena Hanna ([06:05](https://www.rev.com/transcript-editor/shared/0jCpF4iCQFaj40BDPPRd6H6q9_tp4wA4ikinmAsVCXZZpOINQaDJ-aKUFSADSksFwQAT6n_Syc356PYUUM9ZMlQT0XQ?loadFrom=DocumentDeeplink&ts=365.64)):

Yeah. And I think it dovetails really well with the Last Insights episode that I wasn't on, but you are rewarded over the long-term for taking risk. Not taking risk, always shying away, accepting interest rates that are high at 5% and not taking any equity risk ultimately hurts you over the long run. And this past week, I think, shows that. You're not going to pick up close to 5% a yearly return in a few days if you don't take on risk.

Justin Dyer ([06:41](https://www.rev.com/transcript-editor/shared/hrtRGUHsogmjDP0N9g7GwT8NfCDmccXksegM91_e3iciOvT2hY64tHGMt5b4j56sVDp2H7qGrT6Lxlqb0acbvG9jCYo?loadFrom=DocumentDeeplink&ts=401.7)):

And in episodes past, I don't have the statistics in front of me right now, but there are incredibly strong and compelling statistics around missing days like we just have experienced this week. If you miss out on the two, three, four, five best days of the market over a given period of time, it can drastically weigh down your overall rate of return. And so that's another way to think about this. Yeah, you can stay invested and be invested most of the year, but even if you just so happen to be unlucky and aren't invested on the couple of really, really, really, really good days, you can severely damage your overall rate of return.

([07:19](https://www.rev.com/transcript-editor/shared/XvGMPr4_NVTOOenORu3xT4cEqXrWmDgsf2wg0kLkpHlHh4Hf-8qu03PWMWeto9FhmqQxWG7WE4YHXqjNflnjm4s-ryU?loadFrom=DocumentDeeplink&ts=439.89)):

So, it's not enough to just be in the market for six months out of the year and then get out and be comfortable. It is really this long-term, truly, truly patient game. Staying on this same topic of more the psychological side of things, I mentioned it at the intro, we do want to talk through the end of the year.

([07:43](https://www.rev.com/transcript-editor/shared/8X0_qMTz0l4NYuCVq4wg9SHDYCsPMXb8C6Odm9TK7n3Iy0saAL0cOZB3QofmJKR8eoV8_p6rL01notFBiVN895m8dOk?loadFrom=DocumentDeeplink&ts=463.86)):

It's a fun time of year if you can approach it the right way. But it's the end of the year, we're going to start to see a ton of predictions for 2024. Probably very few retrospective analysis of what people said was going to happen. I'm always dumbfounded by how much or how often, around this time of year and into January, we see people pulling out their crystal ball and putting big old predictions out there. In reality, I say that kind of tongue in cheek because we all know, we talk about it this podcast, that the financial press is there to get clicks. You made the comment yesterday actually that CNBC... I can't remember who brought this up, I shouldn't name names, but financial media pay their authors based on clicks. So it's not about the quality of the journalism, the accuracy. I would've hoped to-

Mena Hanna ([08:38](https://www.rev.com/transcript-editor/shared/VS2wZhy_vUcWjM_fz6UYR_tOtk4d-Mdh8WzkjuhZ9rHI24-t503KY65tPRMlMSgFf_mcp2vzhk-NIUnBB_l3gAfWvgM?loadFrom=DocumentDeeplink&ts=518.1)):

The truth.

Justin Dyer ([08:38](https://www.rev.com/transcript-editor/shared/POF4qApun4VaA_DtplBqT9yKQeM4DJC5KZWE8oMbfB_eEGnWlxnebbD4aiNY5m4pR4y4vTKAqD4v9LjyOcLP4L8ZPlo?loadFrom=DocumentDeeplink&ts=518.31)):

... think they put some accuracy and truth in there, but really it is how many eyeballs or how captivating and extreme can these articles be to get people to click on it and not really for your long-term financial health, but really for your short-term attention span.

([08:57](https://www.rev.com/transcript-editor/shared/yWfnEFR0R6qitec3jTug5n69YT7HrlKbcGajIdqbF1LyJmKW49oNyHr66X3u1m0iPV_-3GVtVOYoeVGBxnkAozdST7A?loadFrom=DocumentDeeplink&ts=537.06)):

So this time of year is probably the most rife with it. It's the off season in baseball, people working are working a little bit less around the holidays. And so it's just a good reminder to take all that with a big grain of salt. We really, really just can't predict the future. We don't know if a recession is around the corner. We don't know if the economy's going to continue in this Goldilocks scenario. Odds are, next year is going to be a positive year. Three quarters of the time, roughly speaking, that's what we can expect. But we just don't know. We can't predict it with any accuracy. And really when you take a step back, as you said, being patient, taking that long-term approach, staying invested, knowing that you don't want miss out on periods of time that we're experiencing right now are really, really, really good mindsets to have as we wrap up the year here.

([09:55](https://www.rev.com/transcript-editor/shared/L50-lZYRmQ5Et34b_DNhaDY_YaV7yZeWiRvru6JeOza4IIt0FTBMiqG1kSb50AOpZV6kQcajlBscKtCOdxH81NgVG_I?loadFrom=DocumentDeeplink&ts=595.5)):

So with that, we'll conclude this week's episode. Hopefully just a little quick pulse of the market is helpful. You guys are probably all seeing headlines, listening to headlines on podcasts, et cetera, wherever you consume media, and this gives a little bit of context as to what's going on in the broader market and certainly within your portfolio. So hopefully it's helpful. If you guys have any questions, obviously reach out to us. You know how to get in touch with us. Ask your advisor. Those types of topics and comments make it our way. But until next time, own your wealth, make an impact, and always be a pro.