

# Disclaimer

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*InvestorsObserver*  
Workshop

# InvestorsObserver Workshop

- Charts
- Hot Right Now
- Fed Reaction
- What Else is Happening?
- Member-driven content: Questions, site demonstrations, etc.
  - Can prepare slides for questions submitted ahead of time: Mention “workshop”

# S&P 500



S&P 500  
One Year

# NASDAQ



Nasdaq  
One Year

# Russell 2000



Russell 2000  
One Year

# S&P 500 vs. Equal Weight

One Year, Daily Candles



# Growth vs. Value

one year, daily candles



# Hot Right Now

- Energy
  - Thermal Coal
  - Oil & Gas Drilling
  - Oil & Gas Midstream
- Utilities
  - Regulated Water
  - Diversified
  - Independent Power Producers
- Industrials
  - Infrastructure Operations
  - Airports & Air Services
  - Metal Fabrication
- Financial Services
  - Insurance - Reinsurance
  - Insurance Brokers
  - Insurance - Life
- Consumer Cyclical
  - Residential Construction
  - Resorts & Casinos
  - Footwear & Accessories

# Fed Rates

- More Hikes Coming:
  - "The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time." Statement from last meeting
- Last week we got some more hawkish comments, but from non-voting members
- Market currently pricing for 25 bps in March, but odds of 50 have risen
- Currently, the market is pricing in rates topping out at around 5.25-5.5, or about 75 bps higher than the current rate

MEETING PROBABILITIES							
MEETING DATE	425-450	450-475	475-500	500-525	525-550	550-575	575-600
3/22/2023	0.0%	0.0%	79.0%	21.0%	0.0%	0.0%	0.0%
5/3/2023	0.0%	0.0%	2.0%	77.5%	20.5%	0.0%	0.0%
6/14/2023	0.0%	0.0%	0.8%	31.4%	55.3%	12.5%	0.0%
7/26/2023	0.0%	0.0%	0.6%	24.2%	49.6%	22.6%	2.9%
9/20/2023	0.0%	0.0%	2.0%	25.7%	48.0%	21.4%	2.8%
11/1/2023	0.0%	0.4%	6.8%	30.3%	42.6%	17.6%	2.2%
12/13/2023	0.2%	3.7%	19.0%	36.6%	29.7%	9.7%	1.1%

# About that Tech Rally...

- See Previous Slide: More Hikes are Coming
  - If this was bad in 2022, why is it fine now?
- What changed?
  - Some tech stocks are up 100% since about Jan. 1
  - Rate expectations are higher now than they were then
  - Economic data has been stronger too
  - Earnings Forecasts don't seem to be picking up
- So what's the deal?
  - Maybe people are betting on a "soft landing" ?
  - Maybe people decided yields don't matter?
- Why I'm (mostly) not buying it
  - I can't really think of any time recently where a big drop in the market was reversed by anything other than the Fed loosening.
  - A lot of "Big Tech" is still struggling.
    - Think about how many ads you see, or used to see, for other apps
    - Think about how many of those apps are ALSO ad supported...
    - Flows to VC funds are down (see Higher Rates), so there's less money for startups to buy ads to "blitzscale" their new apps

# About that Tech Rally...

- Not all tech is ad supported
  - But, when the ad supported companies cut spending it trickles down
  - Apple and Microsoft are also trimming budgets
    - Seems likely to have an effect on chip makers and other suppliers, even in non-ad supported sectors.
- Tech hardware isn't looking much better
  - Replacement cycles for things keep getting longer
    - Example: Each new iPhone is a much more marginal improvement over the previous one
  - Need a new product category or... some big change in existing categories
- Apple bonds are available for 4.8%...
- Spending seems to be going to other parts of the economy... Things people didn't spend money on during the pandemic

# What Else is Going On?

- Economic Data Generally Pretty Good
  - Some softening, but nothing that really looks like a recession
  - "Soft Landing" does in fact seem to be in play
  - Some wobbles in inflation data.
- Earnings Season was mostly OK
  - Pretty good so far
- Housing market getting closer to normal
  - Time on market getting longer
  - Cash bidding wars seem to be mostly over
  - Biggest problem: Not enough houses
- Debt Ceiling
  - Not close enough to be a concern yet, but will be hearing about it more as we get closer to June
  - First thing to watch is the short-term Treasury Note market

# Questions?

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