

Weekly Market Commentary August 14, 2023

The Markets

Consumer sentiment is a lagging indicator. It's also a contrarian indicator.

After rising sharply in June and July, consumer sentiment leveled off this month. The preliminary August reading for the *University of Michigan Consumer Sentiment Index* was 71.2. That's slightly below July's reading, although it's up 22.3 percent year-over-year, and up 42 percent from its all-time low of 50 (June 2022). The historic average for the Index is 86.

"In general, consumers perceived few material differences in the economic environment from last month, but they saw substantial improvements relative to just three months ago. Year-ahead inflation expectations edged down from 3.4% last month to 3.3% this month, showing remarkable stability for three consecutive months," wrote Surveys of Consumers Director Joanne Hsu.

The University of Michigan Consumer Sentiment survey provides information related to:

- **Current economic conditions** by asking consumers about the current state of their personal finances, as well as business and buying conditions. In early August, this component of the survey was up 32.1 percent, year-over-year.
- **Expectations for future conditions** by asking consumers about expectations for their personal finances, as well as business and buying conditions. In early August, this component was up 16.0 percent, year-over-year.

Consumer sentiment is a lagging indicator because it can take several months for changes in economic activity to be felt by consumers. This type of sentiment also is considered a contrarian indicator. John Rekenthaler of Morningstar explained, "When people are deeply unhappy, stocks are likely to thrive, because the economic damage that bothers them has already occurred. A contented populace, on the other hand, is the investment equivalent of red sky at morning. Equity shareholders, take warning."

Mixed inflation data caused markets to stumble last week. The Standard & Poor's 500 and Nasdaq Composite indices finished lower, while the Dow Jones Industrial Average moved slightly higher, reported *Barron's*. Yields on U.S. Treasury notes and bonds rose.

Data as of 8/11/23	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.3%	16.3%	6.1%	10.2%	9.6%	10.2%
Dow Jones Global ex-U.S. Index	-0.9	7.9	4.2	2.3	1.4	1.9
10-year Treasury Note (yield only)	4.2	N/A	2.9	0.7	2.9	2.6
Gold (per ounce)	-1.4	5.7	6.6	-0.4	9.8	3.6
Bloomberg Commodity Index	-0.3	-6.4	-14.6	14.8	4.8	-1.7

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

IS IT A SCAM? OR ISN'T IT? You may receive a request asking for contributions to a fund that helps families who've been devastated by Hawaiian wildfires, storms and flooding in New York, wind and tornadoes in Oklahoma, or another disaster. Before you send money, make sure it's not a scam. In 2022, consumers in the United States lost almost \$8.8 billion to fraud, according to the Federal Trade Commission (FTC).

Scammers often target people through email, text messages and phone calls. See what you know about protecting yourself from scams by taking this brief quiz.

1. An email arrives with the logo of the U.S. Postal Service. It says your package could not be delivered because of an incomplete address. The email includes a link that you can click on to confirm your address. Which of the following actions can help you determine whether this is a scam? (Choose all that apply.)
 - a. Look at the email address of the sender to see if matches the company name.
 - b. Find the company's phone number online, then call and ask about the package.
 - c. Get excited about the unexpected gift, click on the link, and see where it takes you.
 - d. Check the message for misspelled words and grammatical errors.

2. Ding! It's a text from an unknown number that reads, "Can you please get us in today? Muffers is really sick! She's been laying on her side panting for four hours." What do you do?
 - a. Don't respond.
 - b. Respond by texting, "I think you have the wrong number."
 - c. Respond by texting, "This isn't the veterinarian's office."
 - d. Block the number.

3. You're looking online for off-campus student housing, but you know rental scams are common. What should you do if a listing is just what you're hoping to find, but seems almost too good to be true?
 - a. Look up the management company's phone number/email online and call/send a message to confirm the availability of the listing, the listing agent's name, and the rental address.
 - b. Schedule an in-person walk-through (or have a trusted friend walk through for you).

- c. Offer to pay the deposit or application fee with a credit card. If the listing agent insists you wire money or pay with cryptocurrency, refuse to do it.
- d. All of the above

Fraud comes in all shapes and sizes – from adoption fraud to elder fraud, business fraud to consumer fraud, and imposter fraud to unemployment fraud. You can learn more about scams and ways to avoid them on the FTC.gov and USA.gov websites.

Weekly Focus – Think About It

“Good judgment comes from experience, and a lot of that comes from bad judgment.”

—Will Rogers, actor

Answers:

- 1) A, B, and D. “...the biggest tell for most people is that they aren’t expecting any package at all. These scams prey on the rush that getting an unexpected delivery brings. Maybe it’s a gift! (It’s never a gift.)” reported Heather Kelly of *The Washington Post*.
- 2) A or D are acceptable answers. This is known as a “wrong number scam”. It creates an opportunity for cybercriminals to build a relationship with, gather personal information from, and attempt to defraud a victim. Patrick J. Kiger in *AARP Magazine* reported, “...what seems like an innocent mistake by the sender actually is the first move in a long con...Once the scammer gets a person to respond, more messages usually follow.”
- 3) D. “Some scammers hijack real rental listings — changing the contact information and reposting them on different rental sites. Then they charge you for fees, deposits, or even rent for homes that aren’t actually up for rent,” reported Royal Rose on the *FTC* website.

Best Regards,

Victor Levy for Levy Wealth Management Group



1818 Market St | Suite 3232 | Philadelphia, PA 19103

Main: 215-875-8720 | Fax: 215-875-8756

info@levywealth.com

www.levywealth.com

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

- * Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- * All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- * Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
- * Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
- * Past performance does not guarantee future results. Investing involves risk, including loss of principal.
- * You cannot invest directly in an index.
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