Weekly Market Commentary
April 15, 2024

The Markets

Inflation and geopolitics and earnings. Oh, my!

It was a rough week for stock markets. "The S&P 500 closed 1.5% lower on Friday, while the Nasdaq Composite dipped 1.6%. Every S&P 500 sector closed lower—and just about 40 stocks in the index finished the day with gains," reported Connor Smith of *Barron's*.

A trio of issues caused investors to reassess their expectations for the year. Here's what many were thinking about:

> **Prices rising at home**. Early last week, the Consumer Price Index showed prices had moved higher in March. Headline inflation was 3.5 percent year-over-year, up from 3.2 percent in February. Higher prices for gasoline and shelter were the primary drivers of the increase. Inflation, in tandem with strong economic data, dashed investors' hopes that the Federal Reserve will lower rates soon, reported Augusta Saraiva and Matthew Boesler of *Bloomberg*.
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> **Tensions rising overseas**. One of the drivers behind rising prices is geopolitics, reported Rita Nazareth of *Bloomberg*. Oil markets have been responding to the possibility of escalating tensions in the Middle East, as well as the damage done by drone strikes on Russian oil infrastructure. Equities moved lower and gold moved higher as investors sought so-called safe-haven investments, last week.
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> **Corporate earnings growth**. Last week, banks began reporting on their performance during the first quarter of 2024. Some banks reported net interest income (the profit earned from lending money) that was lower than analysts anticipated. The gap in expectations was due, in part, to the fact that bank accountholders were seeking higher returns on their savings, reported Sridhar Natarajan of *Bloomberg*. Despite disappointment over bank's interest income, earnings grew by 3.2% for the handful of S&P 500 companies that have already reported, according to John Butters at FactSet.

By the end of the week, major U.S. stock indices were lower. U.S. Treasury yields moved higher over the week.

Financial markets are likely to be volatile as investors adjust to U.S. economic strength and changing expectations for Fed rate cuts and geopolitical events. While market turbulence can be unsettling, price swings can create opportunities to invest in quality assets at attractive levels.

Data as of 4/12/24	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-1.6%	7.4%	25.2%	7.5%	12.0%	10.8%
Dow Jones Global ex-U.S. Index	-1.0	2.1	7.4	-2.0	2.6	1.8
10-year Treasury Note (yield only)	4.5	N/A	3.4	1.7	2.6	2.6
Gold (per ounce)	4.5	15.6	19.6	11.5	13.2	6.1
Bloomberg Commodity Index	0.0	4.3	-4.4	7.2	4.5	-2.8

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.

TO PLAY OR NOT TO PLAY? Whenever lottery jackpots swell, a wave of interest seems to roll across the United States. It happened this month. After the numbers were drawn, someone in Oregon had won $1.3 billion.

Prizes like that make lotteries tempting – and there are plenty of lotteries selling tickets. In the United States, government-operated lotteries are active in 45 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. The profits earned by lotteries:

"…benefit different programs in different jurisdictions. In many cases lottery profits are combined with tax and other revenues in a government's general fund. In other cases, lottery proceeds are dedicated to a wide range of causes, including education, economic development, the environment, programs for senior citizens and veterans, health care, sports facilities, capital construction projects, cultural activities, tax relief, and others," reported the North American Association of State and Provincial Lotteries.

The odds of winning a lottery, typically, are astronomically low. In April, the odds of winning were 1 in 292 million, according to Khristopher Brooks of CBS News. Despite the poor odds, people spend an enormous amount of money on lottery tickets. In 2023, people in the U.S. spent more than $110 billion on lottery tickets. *The Economist* reported:

"In the poorest 1% of zip codes that have lottery retailers, the average American adult spends around $600 a year, or nearly 5% of their income, on tickets. That compares with just $150, or 0.15%, for those in the richest 1% of zip codes. In other words, the poorest households spend roughly 30 times more on lotteries than richer ones, as a share of income."

If people saved and invested instead of spending on lottery tickets, they could have more to show for it. For example, 30-year-olds who save:

- $150 a year might have about $35,000 at full retirement age, if they earned 8 percent on average each year.
- $600 a year might have about $142,000, at full retirement age, if they earned 8 percent on average each year.

The bottom line is that saving and investing is more likely to help people reach their financial goals than buying lottery tickets is.

Weekly Focus – Think About It

"It isn't where you came from, its where you're going that counts."

—Ella Fitzgerald, singer

Best Regards,

Victor Levy for Levy Wealth Management Group

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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