AlphaWealth Monthly Brief

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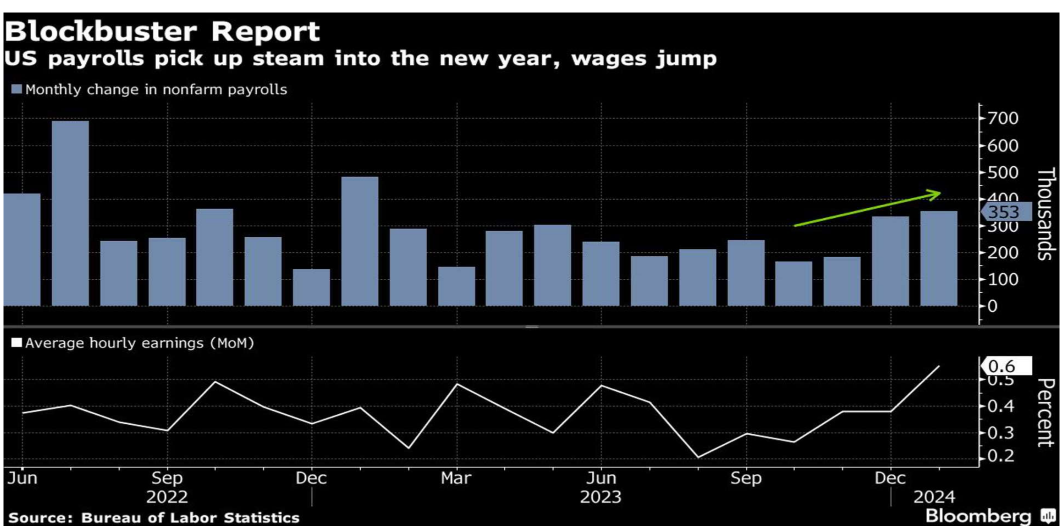
"Neither get in or get out are investment strategies – they simply represent gambling on moments in time. Investing should always be a disciplined process over time, which should include periodic rebalancing."

- Liz Ann Sonders

In this month's edition of the brief, we highlight January's stronger than expected jobs numbers and what this means for the central bank's ability to cut interest rates in the coming months.

January's Strong Jobs Report

While months of cooling inflation data fueled expectations that the Fed would begin cutting rates early this year, last week's stronger than expected jobs numbers threw cold water on that idea. According to the Bureau of Labor Statistics, US companies boosted payrolls in January by 353,000, smashing estimates of 185,000. December's hiring figure also received a substantial upward revision. The numbers suggest a reacceleration that is likely to delay any rate cuts for the time being. Economists are particularly interested in the previous month's revision, indicating that employment data was stronger at the end of 2023 than was apparent in real time. More recently, waves of layoffs at companies like United Parcel Service Inc. suggest a potential slowdown in the labor market in the coming months. It's important to note that while these layoffs grab headlines, they represent only a fraction of the workforce in an economy that boasts over 150 million workers.



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In a recent interview with CBS' 60 Minutes, Fed Chairman Jerome Powell indicated that Americans will likely have to wait beyond March for the central banks to begin cutting interest rates. "The danger of moving too soon is that the job's not quite done, and that the really good readings we've had for the last six months somehow turn out not to be a true indicator of where inflation's heading," Powell stated. "We don't think that's the case," he said. "But the prudent thing to do is to just give it some time and see that the data continue to confirm that inflation is moving down to 2% in a sustainable way." Powell reiterated the fact that he doesn't expect policymakers to dramatically shift their interest rate projections for this year, most of which call for multiple cuts.

The timing of the impending policy shift does put the central bank in a precarious position, however. With 2024 being an election year, the Fed is subjected to Republican accusations of politically motivated rate cuts to provide a boost to Democrats. Multiple democratic senators including Elizabeth Warren and Sherrod Brown penned letters to Powell urging him to lower rates. Meanwhile, former President Donald Trump recently told Fox Business that he would not reappoint Powell if elected. Powell took time to emphasize the fact that the central bank does not take politics and elections into consideration when making policy decisions, stating "integrity is priceless, and at the end, that's all you have. We plan on keeping ours."

Although he rarely comments on topics outside of monetary policy, Powell did reassure the public that the broader financial system remains on solid footing. While some smaller and regional banks have concentrated exposures to troubled segments of the commercial real estate market, the larger institutions remain well capitalized, and these problems seem manageable. Furthermore, US regulators are working to ensure that loan loss reserves and liquidity levels remain adequate to deal with any expected losses. Fed officials have kept interest rates unchanged since July and while a rate cut in March cannot be entirely ruled out, Powell and company have made it clear that they need to see more evidence in the incoming data to suggest that inflation is moving sustainably towards the central bank's 2% target.

Fast Facts

Between March 2020 and November 2023, the five richest men in America saw their fortunes rise by 114%. This elite group's net worth rose from $405 billion to $869 billion, translating to roughly $14 million an hour. - Oxfam

When In-N-Out opened its first location in Idaho in November, so many people lined up to order a burger that the estimated wait time was seven to eight hours. – The Washington Post

Unemployment has now been under 4% for almost two years- the longest streak of rock-bottom jobless rates since the Vietnam War. – NPR

The number of murders in U.S. cities fell by more than 12% in 2023- which would be the biggest national decline on record. The recent data also suggests that the violent crime rate in 2023 was near its lowest level in more than 50 years. – The New York Times

An iPhone that was sucked out of an Alaska Airlines flight and dropped 16,000 feet was found. It was still working and was still in airplane mode. – CBS News

America now imports more goods from Mexico than from China, with Chinese imports down a staggering 21% from the prior year, and their imports are now just barely ahead of the $388 billion the United States imported from Canada. – Chartr

Contact Us

As always, feel free to reach out to us if you have any questions regarding your investments or financial plan or would like to schedule a meeting with our advisors.

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