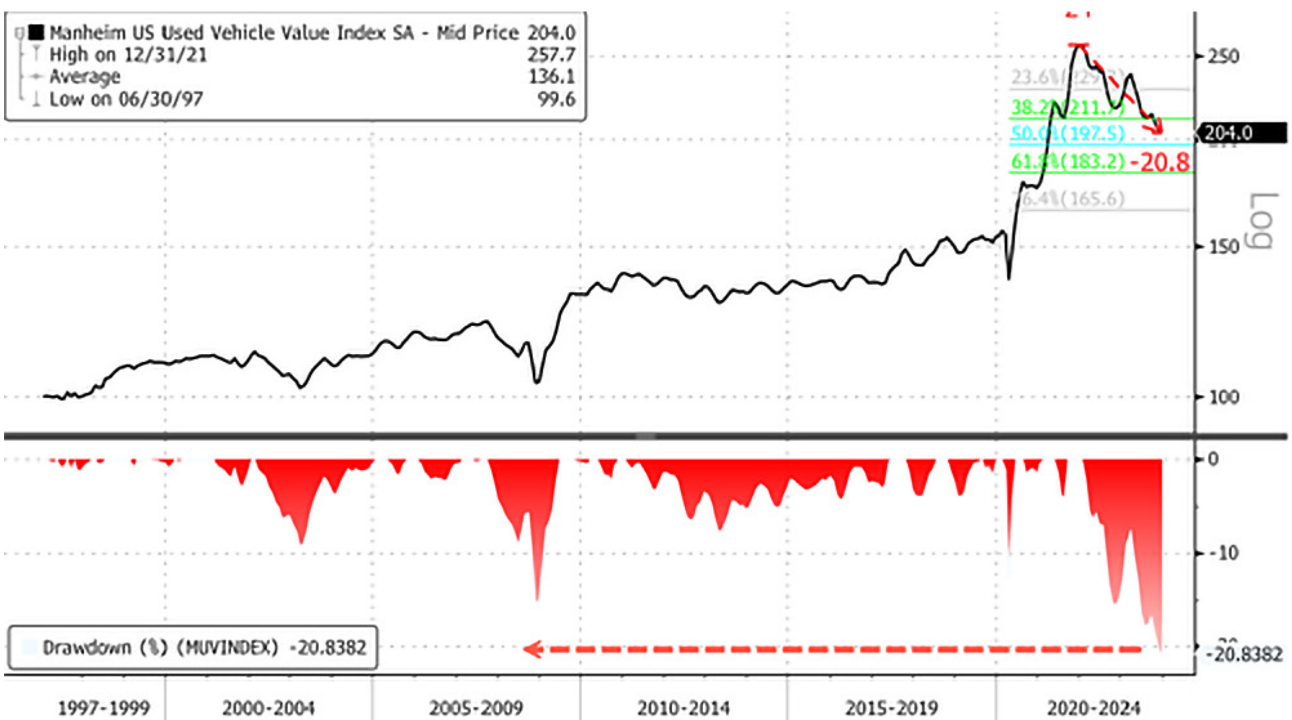
WIMAN & WONG
Wealth Management Group

Monthly Newsletter

February 2024 Comment

It's a USED Car Market!?

Well, that was what seemed to be a pretty quick month as we skated through January and are now on to the second month of the year! There have been plenty of twists and turns these past 30 days and the underlying belly of this economy remains globally interesting. One area that many don't really follow but is a core component of inflation is Used Car Prices! Who knew☺. Well it seems that that market has peaked (hopefully) and we can see this as a lowering component of inflation going forward.



Source ZeroHedge

You can see that the recent drawdown in prices is the most significant decrease EVER….. I guess it only makes sense after the most significant increase EVER… Happy I am not in the used car market. Sorry digressions….

But hey it was a good month right so we drive on cheaper used cars better ish markets and lower rates in our future can things get any better? Depends on who you ask☺.

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Looking Forward

Source Haver Analytics, The Economist, ZeroHedge

This year politically could end up being one of the more interesting hot messes we have seen in the last couple of decades. It's an election year south of the border and the fireworks have already started. We are not going to make any comments outside of this but it is clear the outcomes of this year go well beyond the scope of this writing and have us wondering.....how? Sorry digression again☺. The thought was looking forward and we see some good and some points that will remain challenging.

Globally the world is changing and it is likely that there is a shift of global manufacturing that will continue to remain somewhat unsettled as wage rate inflation has shifted. The chart below shows what has transpired to labor cost over the selected time periods. Notable China may not be the go to place for competitive advantage?

But we were looking forward right☺. So we expect more of the same. The last 1% of inflation will be challenging because of global pressures like the graphic above. The global level of conflict has escalated in the past couple of years and really shows no signs of peace? This escalation at the very micro level keeps things of all sorts a bit more expensive. Consider the comment from the New York Times this past month:

"Marine war risk premiums have soared around fiftyfold since before the war, to as high as 1 percent of the value of the ship, although about 0.7 percent appears to be more common. For a ship carrying goods worth $100 million, that means an extra $700,000 for the few days necessary to go through the Red Sea area."

Source New York Times

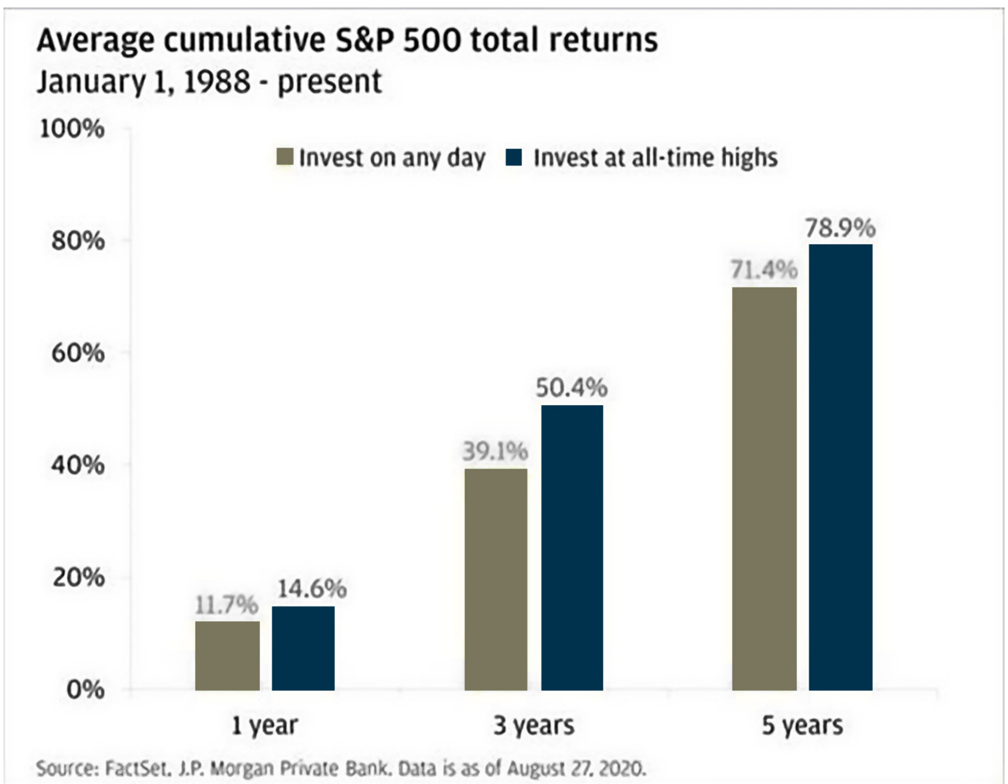
It is entirely possible that global escalations have and will continue to maintain some sort of inflation premium for the foreseeable future. This will be the challenge for the world.

The Trillion Dollar Question

Interest rates! Yup there we said it and it remains the biggest single factor of global market comfort. If you surveyed all the think tanks available right now the resounding answer would be lower. In the modern world it appears there is a sensible level of discomfort with the current level but also, we have learned to live with what we have. SO, the 5% level lower or the same is manageable for now. The reality is and no mincing words on this - WE ARE NOT GOING HIGHER! Been there, done that, is what the FED (and other global Central Banks) are likely thinking at this juncture. This in the broadest view is a bullish indicator for many areas of the markets today. PERIOD.

Final Thought – Can there be a pullback?

We see a lot of hesitation in this market from a variety of different places, clients, GIC purchases, tactical fund allocators you get the drift. WE have been programed for many years to buy pullbacks and or buy the dip. This is tough sledding at any rate. The real answer can likely be found in the data – BUY at the TOP! LOL... how counter intuitive is that! IF you have been trying to time this market for the past 5 years forget it. The chart below shows what investing at all time highs has presented versus buying on any day.



Source JP Morgan

Sorry digression. Yes, Johnny there can be a pullback. The current market construct, while bullish is slightly frothy.

Bottom Line and Final Thoughts

As we wade into 2024 it is clear there will be lots happening this year from elections to central banks to Red Sea attacks. What is most ultimately true in all of this is that opportunities will persist, long or short income or capital gains. When we look at the make up of stock market world the Magnificent 7 or the Enormous 8 or the Nifty 9 stocks of stocks it is apparent that valuation today is not the driving force. It may be in the future, but it is not right now. Artificial Intelligence and weight loss pills seem to want to dominate headlines. This will change at some point, but for today we stay attuned to the unusual changes that have become our world.

Thank you for reading if you made it this far☺!

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