



Market Commentary January 9, 2023

Dear Investors:

It's being called the "Goldilocks" report.

Last Friday, we learned that demand for workers in the United States remained strong in 2022. The unemployment rate dropped to 3.5 percent in December. (It was 3.7 percent in November.) That brought U.S. unemployment back to where it was before the pandemic – at the lowest level in more than 50 years, reported Megan Cassella of *Barron's*.

"Hopes the Federal Reserve can tame inflation without widespread job losses mounted Friday after a government report showed robust hiring and a historically low unemployment rate paired with a cooling in wage growth. In some respects, the December jobs report offered a best-case scenario for the Fed — Americans keep their jobs but inflationary pressures of earnings are easing — giving policymakers room to slow the pace of interest-rate hikes," reported Reade Pickert of *Bloomberg*.

Financial markets responded enthusiastically, making Friday the best day for U.S. stocks in more than a month. The Standard & Poor's 500 Index, Dow Jones Industrial Average, and Nasdaq Composite Index all gained more than 2 percent on Friday, reported *Bloomberg*. The bond market rallied, too. Yields on U.S. Treasuries dropped lower across most maturities.

It's important to note that not all companies were hiring in December. Thursday's private payrolls report showed 235,000 jobs were created in December despite larger companies cutting more than 150,000 jobs. The drivers of jobs growth in the U.S. right now are small- and medium-sized businesses, which added enough jobs to offset layoffs by larger employers, reported *Bloomberg*.

Large technology firms are among the companies laying off workers. Many borrowed and spent significant amounts of money to grow during the pandemic when demand for tech products and services was high. However, consumer demand has diminished, and large tech firms have been forced to reevaluate. Weak performance among tech stocks is one reason 2022 was a dismal year for the Nasdaq Composite Index, reported Tae Kim of *Barron's*.

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Last week, major U.S. stock indices moved higher and the yield on the 10-year U.S. Treasury moved lower.

Data as of 1/6/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	1.5%	1.5%	-17.1%	6.3%	7.2%	10.3%
Dow Jones Global ex-U.S. Index	2.6	2.6	-15.9	-1.2	-1.5	1.7
10-year Treasury Note (yield only)	3.6	N/A	1.7	1.8	2.5	1.9
Gold (per ounce)	2.2	2.2	3.5	5.6	7.0	1.2
Bloomberg Commodity Index	-4.2	-4.2	7.3	9.8	4.3	-2.4

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.

WHAT HAPPENS IN VEGAS DOESN'T ALWAYS STAY IN VEGAS. This month, Las Vegas hosted the Consumer Electronics Show, also known as CES. It's where everyone goes to gawk at the latest technology innovations. Some of the wacky and delightful products will arrive in stores this year while others are aspirational. Here is a glimpse at what the future may hold in transportation:

Jetson-style flying vehicles. It seems that a flying car may soon be approved by the Federal Aviation Administration. Imagine a large SUV with wings that are tipped with propellers. The vehicle holds four people, runs on electric batteries, has a small gas engine (just in case), and can hover into a conventional parking space. The company that builds this space-age vehicle plans to start a ride-sharing service in 2026, reported Bree Fowler of *CNet*.

A smart baby stroller. It can't tell you why the baby is crying or change a diaper, but a baby stroller equipped with artificial intelligence can make it easier to go up hill and stay in control when going downhill. It also will move on its own when your child wants to walk instead of ride, reported *Popular Science*.

Your new best friend. Fans of Herbie, The Love Bug and Knight Rider may be intrigued by the prospect of sentient vehicles. DEE, short for Digital Emotional Experience, is a futuristic mid-sized sedan intended to strengthen the bond between humans and autos. The model at CES featured "a digital assistant, color-changing technology and an augmented-reality windshield," reported Nelson Aguilar of *CNet*.

Other notable transportation innovations included an electric pickup truck with "shadow mode" that allows it to follow its driver around, a dashboard security camera that records what's happening inside and outside of the vehicle, and a surround sound system that makes you feel as though you're at a concert.

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Weekly Focus – Think About It

“If you think in terms of a year, plant a seed; if in terms of ten years, plant trees; if in terms of 100 years, teach the people.”

—Confucius, philosopher

Best regards,



John Y. Kim, J.D., LL.M.
President

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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- * 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.
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- * All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- * 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 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- * 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 DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * 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.
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