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## Market Update: 500 Over 5,000

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### What Recession?

Happy Valentine's Day! As a special treat, the S&P 500 has crossed over 5,000 for the first time ever. While this is just a number, it signifies the strength we have exhibited in the stock market over the past few months (up close to 20% since the start of last November). The S&P 500 has now been up 14 of the past 15 weeks. One of the primary reasons for this rally is the evolving economic situation, which includes improvement in both growth figures as well as inflation.

Here's recent data from the U.S. Bureau of Labor Statistics that supports market strength:

1. **Employment Growth.** The U.S. economy added 353,000 jobs in January 2024, as measured by Non-Farm Payrolls, well above the market forecast of 180,000. This is the largest increase in employment that we've seen in a year, reinforcing the stability of the labor market. Additionally, the unemployment rate held steady at 3.7%, lower than expectations.
2. **Inflation Growth.** The U.S. inflation rate dropped to 3.1% in January, as measured by the Consumer Price Index (CPI), below last month's reading of 3.4%. Core CPI, which doesn't include the more volatile food and energy prices, held steady at 3.9%, which is a two and a half year low.

The resilience of the economy in the face of higher interest rates, as well as moderating inflation, is making investors re-think the concept of a definitive recession, at least a strong one. While a recession may still happen, the data points to an environment of continued growth for the economy and financial markets.

### Why Can't We Be Friends?

With all the love in the air, let's talk about politics!

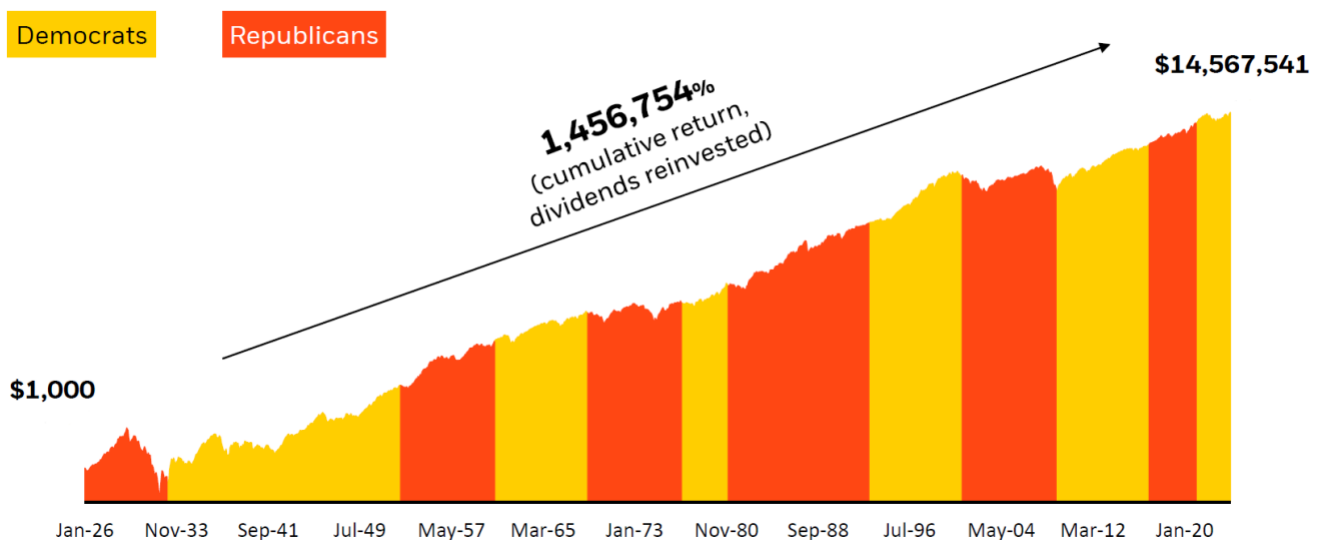
Given it's an election year, there's a lot of focus on which party may be better for the economy or the markets. So, the question emerges: Does it matter which party holds the presidency as it relates to market growth? The chart on pg. 2, "Long-Term U.S. Stock Returns and Elections," helps with the answer:

1. **Democrats Win – Market Goes Up:** Election results can have an impact on government policy, laws and foreign relations, but they have less impact on the direction and strength of the market. As investors, it may be more important to focus on the things we can control such as staying invested for the long-term.

2. **Republicans Win – Market Goes Up:** As a reminder, while presidential elections often control the news headlines, they don't control the financial markets. Market returns are often more dependent on the economy and inflation, which are little impacted by elections.
  
3. **Long-Term Investors Win:** It turns out the time invested in the market is really the most important factor to growth, not which political party holds the presidency. If you weren't invested over the yellow-shaded time periods or the orange ones, you would've missed out on significant gains.

*Stay diversified, my friends.*

**Long-Term U.S. Stock Returns and Elections**  
**Growth of \$1,000 Since 1926, Cumulative Returns from Jan. 1, 1926 to Dec. 31, 2023**



*Source: Blackrock. Morningstar as of 12/31/2023. Stock market represented by the S&P 500 Index from 1/1/1970 to 9/30/2023 and IA SBB1 U.S. large cap stocks index from 1/1/1926 to 1/1/1970. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.*

As always, Dynamic recommends staying balanced, diversified and invested. Despite short-term market pullbacks, it's more important than ever to focus on the long-term, improving the chances for investors to reach their goals.

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