

### Quote of the Week:

*The best economist I know is the inside of the stock market. – Stan Druckenmiller*

### Market Observations:

Admin Note: I did some research on legendary trader Louis Bacon. You can read it [here](#) if you're interested – feel free to sign up for [Market Meditations](#) as well.

Looking at the broad markets year-to-date doesn't reveal a lot thus far other than the reality that nat gas is on fire (pun intended). Kudos to those who can stomach volatility like the current vol in nat gas – too whippy for me.

Outside of gas, bonds/rates have been pretty tame in the last week. Meanwhile, after pulling back the first few days of the year, stock indexes are heading back up and remain near recent highs. However, a look under the hood of the stock market YTD is a bit troubling since the strongest sectors are defensive (pharma, healthcare, utilities, consumer staples) while most other sectors are down. This reminds me of the opening quote - when defensive sectors are strong and everything else isn't, well, that's not ideal.

My inclination is to focus more on the indexes since the larger trend (most important) in indexes is up while the message from sectors is based on a handful of trading days so far in 2024. I plan to keep an eye on the sectors in coming days and weeks.

### Stock Market Indicators:

**Trend:** The trend in stocks is up.

**Stock Volatility:** Volatility has declined to levels that support owning stocks.

**Interest Rates:** Short-term rates are around 5% which is compelling to many. However, stocks put up a banner year in 2023 so the money market crowd is probably feeling some FOMO which could prompt buying on any stock market rally.

**The Fed:** The Fed has shifted the language a bit indicating policy will be on “wait and see” mode. While rate increases could resume, for now this is a positive change in favor of owning stocks. You can find the latest FOMC release [here](#).

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