Ropes Wealth Sizes Up a Stunning Jobs Report and a Solar Eclipse

On Monday, April 8, millions of people will witness a rare total solar eclipse as it passes over Mexico, the United States and Canada. Notably, history has shown us that since 1900, any time a total solar eclipse has been seen in the U.S., equity prices have gone up. In fact, one year after the last 15 other total solar eclipses visible in the U.S., equity prices have gained an average of 17.2%. This may not be surprising, given the way businesses are cashing in on the merchandising. For example, Pizza Hut will offer a "Total Eclipse of the Hut" large pizza for $12 and Krispy Kreme a "Total Solar Eclipse Donut" featuring a glazed donut dipped in black chocolate icing, with silver sprinkles, piped with buttercream and featuring an Oreo cookie in the center. Yum. Did I mention Burger King is giving away a free whopper with purchase, and eyewear brand Warby Parker will give store visitors free, ISO-certified solar eclipse glasses? Only in America!

Hopefully the stock market's future is so bright, we gotta wear shades (shout out to Timbuk 3 for that '80s classic). Our conviction in that sentiment got a little shaken this week when some hawkish Fed chatter and strong economic data poured cold water on the idea of imminent interest rate cuts. Layer on top of that a sharp jump in the price of oil (West Texas Intermediate rose toward $87 and benchmark Brent was above $90) as tensions in the Middle East escalated further and the market is feeling a little queasy. Regarding the Middle East, it was notable this week that President Biden markedly toughened his stance with Israeli Prime Minister Netanyahu, calling for an immediate ceasefire and declaring that U.S. support for the war in Gaza depends on Israel's ability to protect civilians.

How hot was the economic data from this week? Manufacturing and service activity indictors from the likes of S&P Global and the Institute for Supply Management (ISM) were all in expansion territory, and key monthly reports on durable goods, vehicles sales, and factory orders were likewise strong. The ISM Services Index tracking service sector activity in the U.S. was arguably the only softer report of the week, and it still showed expansion albeit at a slower pace. Commentary in the report reflected inflation concerns, slower hiring and high employee turnover, and the need for cost reduction initiatives.

But it was today's stunning jobs report that really has investors wondering how this year will play out. U.S. payrolls rose in March by the most in a year, adding 303,000 jobs, with an upward revision of 22,000 jobs to the prior two months of already strong payroll gains. The unemployment rate fell back to 3.8%, and the increase in average hourly earnings held steady at 4.1%. All good news, but these days good news may be bad news as it will put the brakes on declining interest rates. To that point, Minneapolis Fed President Kashkari was noted this week for saying that if *"we continue to see inflation move sideways, then that would make me question whether we needed to do those rate cuts at all."* His suggestion set off jitters, though Fed President Jay Powell did provide reassurances to the market on Thursday that he did not expect a change in course and that it will likely be appropriate to begin lowering rates *"at some point this year."*

Hard to say whether the solar eclipse will provide another inflection point in a stock market already blinding us with robust performance. Indeed, the S&P 500 had gained more than 10% in the first quarter and notched 22 record high daily closes. April has trimmed back some of that advance, but it is still early days and earnings season is just around the corner (starting April 12). Expectations are high though, with an estimate of 3.6% growth for the first quarter. Full-year profits are expected to swell about 10.7%. Hopefully, companies besides the AI darlings can deliver (and that the shine doesn't wear off as it has with Tesla and Apple). Investors will no doubt parse these upcoming reports for clues that consumer spending continues to be strong. Recession fears have waned in recent months as the jobs market stays resilient against interest rates being held at a 23-year high. However, Americans' attitudes towards the economy have soured and there is a growing bifurcation in the data showing that lower-income consumers are pulling back their spending with savings depleted and inflation still pressuring. There is also the election season ahead of us, which is unlikely to inspire.

As always, we are here to discuss portfolios and overall planning strategy with you and continue to recommend some subtle rebalancing to get shored up for the months ahead. For some clients, this is trimming back some equities after a great run, and for others it is moving forward to put some cash to work after tax obligations are cleared and you have a more fulsome view of what can be invested for the long-term vs. what must be maintained liquid. The volatility in rates from shifting expectations of interest rate cuts has created opportunities in the bond market for investors looking for yield. We urge you to consider engaging with us about cash management strategies and techniques in our planning conversations in the weeks and months ahead, as there is a ripe opportunity that we have not seen in over a decade when prevailing interest rates were zero.

Thank you for your interest in our investment commentary and for your relationship with us. If you would like to speak personally with a member of our team at any time, please click **here**.

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