# MOULTON WEALTH MANAGEMENT INC.

# MOULTON HOT MINUTES

*SPECIALIZING IN RETIREMENT AND TAX PLANNING*
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## January 2024

We hope everyone had a Merry Christmas and Happy New Year.

In investing, it's often best not to follow the herd. Following the herd would have put you in the heart of internet stocks before they fell close to 80% in the Dot.com bubble. It also would have had you believe that housing and subprime mortgages were all safe heading into the Great Financial Crisis.

The herd now believes that the Fed has pulled off the very improbable economic "soft landing". Improbable because it's only been successfully done once, with all other instances of Fed hiking eventually ending in recessions. And with recessions come the worst bear markets.

A few recent headlines demonstrate the overwhelming belief that the U.S. is on track for a soft landing.

***Economists now predict the U.S. is heading for a "soft landing"*** – CBS News 12/14/23

***This is the definition of a soft landing*** – Bloomberg, 12/14/23

***Investors absolutely love the Fed's soft landing*** – Yahoo! Finance, 12/14/23

There are certainly reasons for optimism.

First, despite the Fed hikes, the jobs' market remains robust. Unemployment is near all-time lows, jobs continue to be created, and initial unemployment claims refuse to rise significantly.

Next, inflation has fallen. The Consumer Price Index (CPI) has fallen from a high of 9.1% year over year in 2021, to just 3.1% as of the most recent reading. Although still above the Fed's 2% target, the decline is impressive.

But those are the easy arguments Wall Street would like us all to latch onto. Digging further into employment and inflation, it may not be so cut and dry.

CPI is calculated as the increase or decrease in the price of a "basket of goods". Median CPI simply sorts each item in the basket by how big the price moves are, and picks the increase in the middle. It is currently +5.2%. This means that fully half of the components making up CPI are actually still rising at over 5.2% per year.

Remember, the fact that CPI is falling doesn't mean prices are declining, it simply means they are rising less quickly. But the increases are still prevalent, and still on top of past increases. Median CPI tells us that consumers are still getting squeezed by prices rising substantially.

Next, while unemployment is low, and jobs are being created, they aren't being created at the pace they once were. Job Openings have fallen dramatically over the last two years. But even the Job Openings as reported may be somewhat exaggerated. In the old days, if you ran a company and had a job opening, you paid for an ad in the paper. As such, you only did so when there was an actual opening. Through internet based job search firms, employers can now run ads for job openings that don't actually exist, because it doesn't cost them to do so. Why would they? To build up a database of resumes, and just in case the perfect employee comes along. As such, job openings, as now calculated, may overstate actual opportunities for employment.

And the Conference Boards' Jobs Plentiful subcomponent of Consumer Confidence seems to agree. Even as Job Openings remain high (although declining), the percent of consumers who believe that jobs are plentiful fell to less than 40% as of November. This is lower than both the pre-pandemic and Tech Bubble levels. Rarely do consumers change their minds so dramatically about jobs, outside of recessions.

If we avoid a recession and experience the elusive "soft landing", there are also a series of other indicators that will need to effectively enter territory they've never seen before.

The Leading to Coincident Economic Index Ratio shows the disparity between leading indicators (deteriorating), and coincident indicators (holding up – so far). This ratio has never fallen so rapidly without the economy leading into or already entering a recession, back to 1959! In fact, it's never plummeted to this level during the past 65 years outside of the Great Financial Crisis.

The Fed themselves publish a Yield Spread Model giving the probability of a recession in the next 12 months. Again back to 1959 it has issued a false positive, once. It too indicates we will enter a recession, and likely soon.

Consumer Confidence Future Expectations, minus Present Situation, tells us consumers are not very optimistic about the future. When it's remained at the current levels, the probability of a recession rises dramatically.

NFIB General Business Outlook for the Next Six Months has never been this poor outside of the pandemic era shut downs. When it drops below -20, the odds of a recession rise dramatically. (We're currently below -40.)

The percent of U.S. States with Increasing Economic Activity shows that roughly 2/3 of all the states are in an economic contraction. Once again, we've never avoided a recession back to 1979 when so many states were in contraction.

The ISM Manufacturing Index has been in contraction for 13 months. Back to 1949, it's never contracted this long without a recession.

And of course the housing market has ground to a halt, with prospective buyers falling, and existing home sales at the low of the cycle.

Could we avoid a recession? Sure, but the probabilities are not in our favor.

## It's not too late to protect yourself.

**What is your defensive plan?** Attend a free seminar or call the office to hear about ours.

Yours truly,

**Rial R. Moulton, CFP®, CPA / PFS, RFC**
*Certified Financial Planner™ professional*

**Donald J. Moulton, CFP®, RFC**
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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 ask them to send an email with their information and permission to be added.

# *Are we entering a "soft landing"? If so, many historically reliable indicators will be wrong.*

**Weekly Radio Show Saturday Morning:**

**8:00 AM KXLY 920 AM**
**Spokane and Area**

**9:30 AM KFLD 870 AM**
**Tri-Cities and Area**

**Moultonwealth.com**

**SPOKANE**

Quality Inn—North
*Breakfast*
7919 N. Division —Spokane
**January 24th @ 9:30 AM**

**TRI-CITIES**

Red Lion
*Coffee and Cookies*
2525 N. 20th Ave.—Pasco
**January 31st @ 11:00 AM**

- **How employing and consistently following a defensive system could help you to a better retirement.**
- The Secure Act tax law change could alter how you leave your retirement accounts!
- What happens when an economic downturn makes it difficult for companies to pay back their massive debt?
- Why Buy and Hold Investing was right for the 80's and 90's yet very wrong for today.
- Will inflation eat up your assets?
- How to potentially decrease taxes on your hard earned Social Security Income
- To Roth or not to Roth?

***And so much more!***

## COMPLIMENTARY SEMINAR

**For those 50 years old and older**

MOULTON WEALTH MANAGEMENT Inc.

1220 N. Mullan Rd; Spokane, WA 99223

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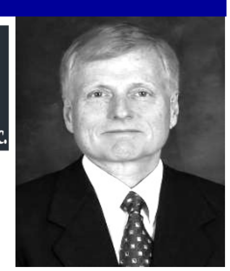

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## Call to reserve a spot: 509-922-3110

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# *Soft Landing?*

## *It would be historically unique.*

| **Spokane** | *No Cost Seminars for Retirees and those close to Retirement* | **Pasco** |
|---|---|---|
| **January 24 @ 9:30 AM** | | **January 31 @ 11:00 AM** |
| ***Details Inside*** | | ***Details Inside*** |