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## **Market Update: The Magnificent 7 Slide, Small Caps Show Resilience**

The “Magnificent 7” mega-cap tech stocks—Apple (AAPL), Microsoft (MSFT), Alphabet (GOOGL), Amazon (AMZN), Nvidia (NVDA), Meta (META), and Tesla (TSLA)—have taken a dip, collectively dropping -11%. While these market leaders have driven much of the S&P 500’s gains over the past year, their recent weakness suggests a shift in investor sentiment.

In contrast, smaller companies have shown resilience, with small-cap indices holding steady or even gaining ground. This suggests a broadening of market participation, as investors rotate into undervalued opportunities outside of large-cap tech.

### **Earnings Remain Strong**

Despite market volatility and policy uncertainty, earnings for S&P 500 companies are up 11.4% year over year, signaling corporate strength. However, investors are watching for any signs of slowing momentum.

### **Inflation & Slower Growth: A Balancing Act**

The Federal Reserve’s battle with inflation continues, but with economic growth showing signs of slowing, the risk of stagflation—high inflation combined with weak growth—is becoming a concern. If inflation remains sticky while growth decelerates, the Fed may have less room to maneuver, complicating its policy decisions. This ambiguity is keeping markets on edge as investors weigh the potential for rate cuts against persistent price pressures.

### **Tax Document Update**

The majority of the tax documents should be posted and accessible upon signing into your account. A few remaining documents will be posted by mid-March. If you need help logging in, please contact Freya.

### **Washington State Estate Tax Proposal**

For Washington state residents, a new House bill (HB 2019) currently under consideration seeks to raise the state’s estate tax for individuals with a net worth exceeding \$1 million. If passed, this could have implications for estate planning and tax liabilities for high-net-worth individuals in the state by raising the top rate to as high as 38%. Stay informed as the legislative process unfolds. If you would like an introduction to an estate planning attorney, please check in with us.

### **Portfolio Review**

As time goes on, factors like life events, income needs, risk tolerance, economic and market developments, tax strategies, philanthropic considerations and estate planning can shift. If you would like to schedule an overall review of your situation, please contact Freya.

**Thank you for your trust.**

**Spencer, Anne and Freya**