

# Market Perspective

THE WATT GROUP  
of Oppenheimer & Co. Inc.

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## Market Overview: Q1 2024

*By James Watt*

John Stoltzfus, Oppenheimer's Chief Investment Strategist, expects the S&P 500 will close 2024 at 5200.

This year is also an election year which often creates market volatility and uncertainty during the election cycle and around the outcome. Rather than focusing on election uncertainty, we are guiding our clients and investors to focus on our country's economics. With growing GDP, a jobs picture that continues to be strong, moderating inflation, and stable interest rates, our economic statistics look good.

With regards to current interest rates, our group believes long term interest rates are notoriously hard to predict. At this time, most economists as well as the Federal Reserve are expecting anywhere between one and three interest rate cuts in 2024. This would bode very well for equities since valuations are based on the cost of money (i.e. interest rates). A lot can happen economically along the way though, so as mentioned, interest rates are notoriously hard to predict.

We can already see the upward pressure on equities due to an expectation of lower rates. Accompanied with that is the tremendous amount of cash on the sidelines which will eventually be invested over the coming years.

One final thing that has caught our attention recently is the fact that the universe of investable stocks has significantly decreased over the years. Those stocks have also grown drastically in market capitalization. Currently there are only 35 companies with a capitalization over \$200 billion and just 83 companies with a capitalization over \$100 billion. These are the companies the vast bulk of funds are invested in. The old adage about supply and demand can drive the price of these dramatically due to limited supply.

If you would like a copy of John Stoltzfus report please contact us.

## Financial Planning Corner: College Savings Vehicles

*By Jonathan Robinson, CFP®*

As we usher in 2024, many of us reflect on our year that was and set resolutions to do differently in the upcoming months. Resolutions about money are often included in that list. You are much more likely to keep any resolution if it is achievable and specific, particularly when it comes to finances. An obvious example that we help many of our clients with is to create or update a financial plan.

When thinking about your financial resolutions, you want to prioritize particular actions over vague aspirations. Those actions can be as big as creating a financial plan or as simple as saving 5% more in my company's 401(k) plan. What it cannot be is opaque and nebulous like "save more money".

Another strategy is to break down larger goals into manageable steps, creating a roadmap that allows you to track your progress throughout the year. Being specific not only makes your resolutions more achievable but also helps in staying motivated as you see your financial success improve gradually.

Let us know if we can help you think through how to make your money resolutions more specific. Call us if we can help you implement those goals in a way that makes it easy for you to keep the one resolution you are going to keep this year.



## Case Study of the Quarter: Investing in Emerging Technologies

By Peter Watt

Our team met with a client who asked us to look into artificial intelligence companies and decide if any were worth an investment.

Of course large technology companies such as Microsoft are the high quality investment in the AI space. Our client followed up with a request to look into the smaller publicly-traded companies where a company's sole focus was AI.

This is where speculative investments come into the picture and our team has a dedicated process to considering one within a portfolio:

1) **Determine what amount of money would be appropriate to make a speculative investment.**

Even if you are armed with deep knowledge of a company or sector, an investment in an emerging technology or product bears a lot of risk; more risk than what you would assume from the past decade of market performance. We will help you decide if and how much you can afford in a high risk investment. Speculative investing can be similar to gambling at a casino. It is best to choose a proper amount ahead of selecting an investment.

2) **Oppenheimer stock analysts to dive into extensive research.**

Our firm has many of the top stock analysts in the country. We leverage their knowledge to find the top companies in the space of interest.

3) **Discuss as a team to determine the best 1-3 companies available.**

Our team works through the best options available by doing our own separate research and subsequently collaborating afterward.

The investment world is again going through new and disruptive technologies enhancing productivity in many fields including healthcare, human resources, energy etc. There will be many attractive a speculative investment in the years ahead and many failures. Have a discussion with your advisor to get a second opinion.

The Standard & Poor's (S&P) 500 Index is an unmanaged index that tracks the performance of 500 widely held large-capitalization U.S. stocks. NASDAQ Composite Index (NASDAQ) is a market-value weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. Individuals cannot invest directly in an index. Oppenheimer Asset Management Inc. (OAM) and Oppenheimer & Co. Inc. (Oppenheimer) a registered broker/dealer and investment adviser are both indirect wholly owned subsidiaries of Oppenheimer Holdings Inc. Securities are offered through Oppenheimer. The Omega Group is a program through Oppenheimer & Co., Inc. It offers a managed money program in which experienced Financial Advisors act as portfolio managers for their clients. The newsletter is written by The Watt Group of Oppenheimer & Co. Inc. Their opinions do not necessarily reflect those of the firm. This newsletter is not and is under no circumstances to be construed as an offer to sell or buy any securities. Oppenheimer & Co. Inc. and/or its officers, directors, or employees, and/or members of their families may, at times, have positions in any securities mentioned herein and do not give legal or tax advice. The information set forth herein has been derived from sources believed to be reliable but is not guaranteed as to accuracy and does not purport to be a complete analysis of the security, company, or industry involved. Opinions expressed herein are subject to change without notice. Additional information on any securities mentioned is available upon request.

Dollar cost averaging does not guarantee a profit and does not protect against loss in declining markets. Investors should consider their ability to continue making purchases through periods of fluctuating prices.