

## WEEKLY MARKET RECAP: January 29 – February 02, 2024

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

After a two-year stretch marked with significant uncertainty, the S&P 500 overcame the “wall of worry” about a potential hard landing for the U.S. economy, achieving a new all-time high on Jan. 19 and notching successive highs for five straight days last week. While the time to recovery was the third longest since 1988, it was notable for its resilience on the back of strong fundamentals, despite pressures from multi-decade high interest rates. However, it has also resulted in elevated valuations, leaving some investors, especially those who waited in cash on the sidelines, wondering where markets could go from here.

For investors wary of potential corrections, market highs can lead to a psychological stalemate. However, historical data suggest that all-time highs are more common and less daunting than perceived. Since 1988, the S&P 500 has, on average, reached new highs 20 times per year. More importantly, nearly 85% of the time, one-year forward returns from these highs were positive. In fact, as highlighted in the chart of the week, during this period one, two and three-year forward returns were more favorable when investing at all-time highs compared to a random day. This compelling outcome aligns with a key market adage: strength begets strength, which in market terms, often translates to the formation of successive highs.

Given that markets spend about half the time within 5% of all-time highs, remaining on the sidelines can result in significant opportunity cost. Since fundamentals drive the market over the long run, the recent persistence of strong earnings growth this cycle could further bolster the market. For investors, embracing active management to protect against volatility while understanding that momentum can carry markets past all-time highs will be crucial in generating returns this year.

**Thanks for reading! Have a great weekend.**

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