

# Rising Prices, Falling Banks and NBA Records

February 5, 2024

- **Slow Your Roll** – The December 2023 Consumer Price Index (CPI) reported a 0.3% increase since November 2023, with the food index rising 0.2% and energy climbing 0.4%. The unadjusted 2023 numbers show a 2.0% decline in the energy sector, while food has increased 2.7% since January 2023 (source: U.S. Bureau of Labor Statistics).
- **Big Fat F** – 2023 was a historic year for bank failures with 5 banks going under, including Citizens Bank (IA), Heartland Tri-State Bank (KS), First Republic Bank (CA), Signature Bank (NY), and Silicon Valley Bank (CA). The combined \$548.7 billion in assets from these 5 institutions outpaces the 25 2008 failures with a combined asset value of \$373.6 billion (source: FDIC).
- **Home Sweet Home** – Total new residential homes sold in December 2023 held strong at 664,000, which is slightly above the December 2022 total of 636,000. The South accounted for 404,000 of those home sales, with the West trailing at 131,000. The Midwest only accounted for 67,000 of those sales, while the Northeast fell in last place at 34,000 (source: United States Census Bureau).
- **Finishing Strong** – The \*S&P 500 reported notable gains in December 2023, with the S&P 500 up 4.42%, the \*S&P MidCap 400 posting 8.50% for the month, and the \*S&P SmallCap 600 finishing out at a 12.61% increase (source: S&P Global).
- **Cut-Off** – The IRS is ramping up Employee Retention Credit enforcement measures, with 20,000 disallowance letters (Letter 105 C) mailed at the end of December. This IRS has implemented a withdrawal process that allows business owners to “take back” fraudulent claims without being assessed interest and penalties (source: Internal Revenue Service).
- **Rising Prices** – U.S. Real Gross Domestic Product (GDP) ended the year at a 2.3% increase for 2023 compared to the 1.9% increase in 2022. Increases in consumer spending were led by healthcare, recreational goods, and vehicles, while rising government spending is attributed to investments in infrastructure and government compensation (source: Bureau of Economic Analysis).
- **REITS in the Right Direction** – \*\*The Dow Jones Equity All REIT Index closed out 2023 with an 11.3% return, which was bolstered by 4<sup>th</sup> Quarter returns. This Index also closed out Q4 2023 with a 17.9% return following the -8.4% return in Q3 2023 (source: S&P Global).
- **Driving Away Money** – Despite inflation easing in 2023, auto insurance costs saw double-digit increases, rising more than 17% for US drivers. Most states saw an average price increase of 15.5%, while others, like Florida, are feeling the burden of 88% year-on-year increases (source: Yahoo! Finance).
- **Got Hoops?** – Joel Embiid scored 70 points in the January 22<sup>nd</sup> game against the San Antonio Spurs, breaking the franchise record. Hall of Famer Wilt Chamberlain originally set the record with 68 points on December 16, 1967 (source: AP News).
- **Cold Competition** – The January 13<sup>th</sup> football game in Kansas City made spot #4 on the NFL’s coldest games in history list with a wind chill temperature close to -30 degrees. However, the temperature was nowhere near the December 31, 1967, Packer game dubbed “The Ice Bowl,” with wind chill temperatures in the negative 40s (source: The Sporting News).

## \*Definitions and Indexes

\*S&P MidCap 400: This index, which is distinct from the large-cap S&P 500®, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment. (source: spglobal.com).

\*S&P SmallCap 600: The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. (source: spglobal.com).

\*\*Dow Jones Equity All REIT Index: The Dow Jones Equity All REIT Index is designed to measure all publicly traded real estate investment trusts in the Dow Jones U.S. stock universe classified as equity REITs according to the S&P Dow Jones Indices REIT Industry Classification Hierarchy. These companies are REITs that primarily own and operate income-producing real estate.

This newsletter is provided for informational purposes only and does not constitute investment advice or a recommendation regarding any specific product or security. Past performance is not indicative of future results. You cannot invest directly in an index. All references to tax or legal matters are provided for informational purposes only. You should consult your legal or tax professional regarding your specific situation. All investing is subject to risk, including possible loss of principal.