

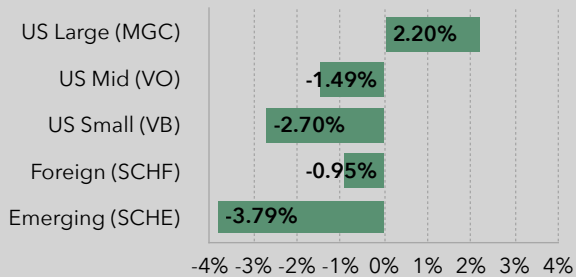
January 2023

Economic Data

- 357,000 jobs were added in January; the unemployment rate held at 3.7%
- Retail sales were up 0.6% in December with department stores up the most increasing 3.0%
- Y/y inflation (CPI) increased to a 3.4% pace in December while the core rate (less food and energy) edged lower to 3.9%
- Existing home sales were down 1.0% in December and are down 6.2% y/y; the median home price fell to \$382,600

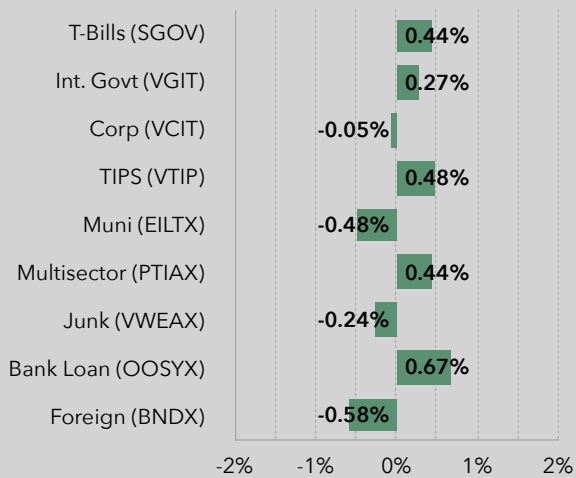
Stocks

January Returns



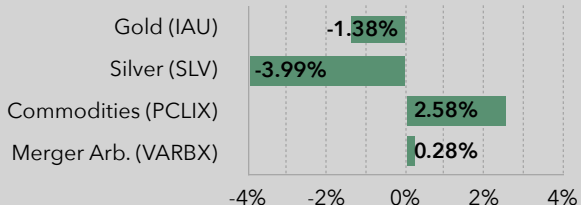
Bonds

January Returns



Alternatives

January Returns



Performance data provided by Morningstar

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

Are Series I Savings Bonds Still Worth It?

Series I savings bonds were all the rage in 2022, and rightfully so. At a time when both the bond markets and stock markets were tanking, you could earn a risk-free 9.62%. It was an easy and smart choice if you were fine with locking your money up for a year. I bought my maximum allowed \$10k worth then, plus another \$10k in 2023 when they were yielding 6.89%. But now what do we do with them?

Should you sell? If you sell now, before the five-year holding mark, you'll forfeit the previous three months of interest. For the 5/22 to 10/22 vintage, that means giving up three months at an annualized rate of 3.94%, so 0.985%. Those bonds had a fixed rate of 0.0% plus inflation. There are more attractive rates out there—at least for now—so this really isn't a bad move. For example, 5-year TIPS are currently yielding 1.79% plus inflation. You will have to pay taxes on the interest you've earned if you sell, so keep that in mind. The only other reason I can think of to not sell would be if you really wanted to build a larger portfolio of I bonds. The annual \$10k limitation caps your ability to buy these, but I don't think amassing a big pile of I bonds should necessarily be an investment goal.

Should you buy new ones? With current fixed yields on I-bonds now at a 16-year high of 1.30%, this vintage is much more attractive than those with a 0.0% rate from a couple years ago. These are yielding 5.27% right now, which is better than you'll find with all but the shortest duration treasury bills. I don't hate that.

Series I Savings Bond Rates

Vintage	Fixed Rate	Nov-23	May-23	Nov-22	May-22
11/23-4/24	1.30%	5.27%			
5/23-10/23	0.90%	4.86%	4.30%		
11/22-4/23	0.40%	4.35%	3.79%	6.89%	
5/22-10/22	0.00%	3.94%	3.38%	6.48%	9.62%

So why not do both—sell the old and buy the new? This is exactly what I am doing. It will take about 9 months to recoup the forfeit interest on the old 0.0% vintage if you reinvested in the new 1.30% vintage, but after that you will be better off than if you did nothing. That's not too long in the grand scheme of things if this is an investment you want to hold for a while.

2024 Contribution Limits

The IRS increased the contribution limit across traditional and Roth IRAs from \$6,500 to \$7,000. If you're 50 or over this year, you can contribute \$8,000 (up from \$7,500 last year). The 401(k) contribution limit also increased \$500 and now stands at \$23,000. SEP IRA and Solo 401(k) maximums are up to \$69,000.

S&P 500 hits 5,000

The S&P 500 has reached a key psychological milestone today, crossing the 5,000 mark. This rally has echoes of the dot-com bubble, with larger technology stocks increasingly diverging from the broader market. The mega cap tech space is partying like it's 1999, though today it's artificial intelligence, not the internet, that's driving the exuberance. Currently, the S&P 500's P/E (price-to-earnings) ratio stands at 20.53. In contrast, the mid-cap S&P 400 is trading at a P/E ratio of 15.08, while the unloved small-cap S&P 600 is at 13.51. It's important to remember that markets can remain exuberant for extended periods, making it challenging to pinpoint when they will correct. In the long-run, though, valuation does matter.

Thanks for reading.

Ryan P. Layton, CFA
 p: 612-810-2230
 e: ryan@emeraldspark.com

Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income					
Duration	●		●		
Inflation				●	
Credit	●				
Foreign			●		
Equities					
Large Cap	●				
Mid Cap		●			
Small Cap			●		
Developed Intl.	●				
Emerging		●			
Alternatives					
Commodities					●
Hedging					●

Binge Box

Boy Swallows Universe (Netflix)

Let's be honest, Australia hasn't really made anything worth watching since *Crocodile Dundee* came out in 1986. I don't think I've ever streamed an Australian show until now. *Boy Swallows Universe* is a seven episode limited series based on the semi-autobiographical book with the same title. It is set in the 80's and is centered around a precocious boy named Eli Bell as he navigates a challenging set of circumstances. Eli is played by two actors, the younger 14-year old and the older late-teens version. Felix Cameron shines in the role of young Eli Bell, and he is missed after the time jump. Travis Fimmel, who gained fame playing Ragnar in *Vikings*, plays Lyle, the step father. It's well worth watching.

About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

This Newsletter has been prepared by EmeraldSpark Investments. Information contained within has been obtained from sources believed to be reliable, but we do not guarantee its accuracy, completeness or fairness. Views and opinions expressed are for informational purposes only and do not constitute a recommendation by EmeraldSpark Investments to buy, sell, or hold any security. Views and opinions are current at the time of writing and may change. Before acting on this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice. Past performance is not indicative of future results.



NOT FDIC INSURED | NOT BANK GUARANTEED | MAY LOSE VALUE