# *Fidelity Viewpoints®*: Market Sense

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**TRANSCRIPT**

**SPEAKERS:**

Heather Hegedus    Jurrien Timmer    Meredith Stoddard

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**Heather Hegedus:** Hello there and thank you so much for joining us for *Market Sense* today. I am Heather Hegedus with Fidelity. And as usual, we've got a lot to talk about today beginning again with the S&P 500 which finished about 5,000 for the first time ever on Friday with tech stocks and AI showing no signs of stopping. Also, there's some new inflation data to get to which we're going to have to talk about too today and break down. SO to talk about what this all means for investors is Jurrien Timmer, Fidelity's Director of Global Macro.

Also today we are thrilled to welcome Meredith Stoddard here, and she's a Vice President here of Engagement. And she's here today to talk to us about the topic of love and money and how financial decisions can affect relationships. Which of course is the perfect topic with Valentine's Day right around the corner right now. So thank you both of us—both of you for joining us and how is everybody doing today?

**Meredith Stoddard:** So good to be on today, Heather, thanks for having me.

**Jurrien Timmer:** Great to see you and welcome to the show Meredith.

**MEREDITH:** Thanks, Jurrien.

**HEATHER:** Before we begin, we're so excited to have you, Meredith. We do want to let viewers know that viewers can leave a question for Meredith or Jurrien. If you're watching on YouTube or LinkedIn, or if you're watching on the Fidelity website, click the book that says Slido—there's a Q&A tab there, and that's the way to ask us a question or take the viewer poll. And we do read all of your comments, I truly mean that so keep those questions coming.

And with that, today it is Tuesday, February 13th. And before we start digging into the relationship talk, we do want to talk about the S&P 500 again as I mentioned because it is on fire. Keeping this winter's day feeling warm when you think about what's going on right ow with equities. Jurrien, as you've been noting here for a long time though, it is still being led by the so called Magnificent 7. So first question for you is when do you think the rest of the stocks will catch up to those leaders and also catch us up on the other latest market news. As I mentioned, we do have some inflation data and some other earnings reports to digest here.

**JURRIEN:** Yeah, so there's plenty going on as you mentioned, the S&P made—went above 5,000 for the first-time last week. It's giving back some today because we had an inflation report that came in a little hotter than expected. Still overall heading in the right direction. You know, CPI is up 3.1% from a year ago. Certainly, a lot better than what if was, which was 9% a year and a half ago. But the core CPI so excluding the more volatile food and energy components. Still at a 3.9% increase and that, you know, that's proving to be a little bit stubborn. So the market is having a little bit of an indigestion today, kind of, you know, walking back some of the premature enthusiasm about the Fed cutting rates. I think that that's still coming, but the Fed itself had said that, you know, March is probably too soon. And certainly, the number of rate cuts expected by the markets, which was about 6 or 7 was too high. And we've been talking about that and so the market is sort of walking back some of that—that enthusiasm.

But, you know, the market, other than today, has had some good momentum, it made a new all-time high in January for the first time in over two years. And that generally is a good sign. But as you mentioned, you know, there is always caveats and nuances and one of the caveats to this new all-time high is that it has been unaccompanied by the broader market. So the S&P 500 equal weighted index, which I think is a good way to look at the markets and by stripping out the magnified impact of the Magnificent 7 is not quite yet at a new all-time high. And the Russell 2000 actually is still close to it being in a bear market. It's down about 15% from it's high. So this is not a uniform rally, but history does suggest that the generals often lead the solders in this regard and that the rest of the market will, you know, likely eventually catch up to these generals.

And so far, you know, the earning season which we're getting towards the end of, 351 companies out of the S&P 500 have reported. Typical fair 80% beating estimates by about 7 percentage points. So earnings are coming through, which is an important consideration for this year because we've had a fair amount of rally already, all driven by an expansion in the P/E multiple in the valuation. And that's fairly normal in an early phase of a bull market, but that baton does need to get passed to earnings, and it looks like that's what's happening.

**HEATHER:** Okay, so given that, what does that mean for where we are in the economic cycle which is something I ask you about a lot here, Jurrien. But if the Fed does achieve a soft landing, how do we still reconcile the fact that the yield curve is still inverted which I know as you frequently mentioned here on Market Sense, Jurrien, it has predicted every recession since—what 1969, is that right?

**JURRIEN:** Yes, it has a perfect track record. Although it's a very frustrating indicator because the leads and lags have been very, very all over the place, let's put it that way.

**HEATHER:** Okay, okay, so how do we reconcile that and that actually a question that was on our viewers' minds too, that I wanted to put on the screen because our viewer Gilbert L. asked the, you know, same sentiment here. How do you explain that fact that the inverted yield curve and leading indicators are going down but stock market is going up? What would be your response to Gilbert's question there Jurrien?

**JURRIEN:** It's a great question and it's one that's gnawing at all of us who are in the business. Because by all accounts, it looks like the Fed has sort of stuck the landing that we're getting that soft landing. The economy has proven to be quite resilient; inflation has come down today—report notwithstanding. Earnings have inflected, they bottomed it looks like in the third quarter of last year and they've started to improve. And even some of the economic indicators like the PMI, which is a manufacturing survey, appears to be rebounding here. And so there seems to be a lot of evidence that the economy has soft landed and has survived this massive increase and interest rates from the last couple of years.

But that yield curve is still out there, it is still inverted, and, you know, I never want to be the one who says that this time is different because those tend to be famous last words. But, you know, this whole cycle has been, of course, extremely unusual, right? I mean, we had the pandemic, we had all of that fiscal and monetary stimulus. And so this has been an upside down kind of market cycle anyway. So if there was ever time that the yield curve maybe sent a false signal, this would be it. But again, we don't want to say this time is different. So it remains something that's hanging over the markets a little bit. And, you know, there are legitimate reasons why the yield curve may not be packing the punch that it normally does because if you think about the yield curve, really what it says is that banks are unwilling to lend money because an inverted yield curve means that short term rates are above long term rates. Which if you're a bank and you're borrowing short and you're lending long, that's not what you want to see. Like, that affects your interest margins, et cetera.

And so historically an inverted curve has meant that banks are less willing to lend money. And when that money spigot is shut off, you know, the economy goes into a recession. That's been traditionally the transmission signal. But there's all kinds of reasons why that might be different. You know, there's a big private credit market that doesn't need the banks. The term premium is negative where it normally is positive. You know, there's a whole laundry list of exceptions. And then even if the yield curve is still infallible and it still works, the leads and lags of when it actually has an impact on the markets or the economy can be a short as 6 months and as long as 2 years so there is no easy playbook for this. And so at the end of the day for most investors, you know, having a balanced portfolio that hopefully survives all kinds of ups and downs is still the way to go rather than trying to time your way around, you know, these indicators.

**HEATHER:** Okay, Jurrien, sound advice there. And, yeah, mortgage rates—people being locked into loan mortgage rates. I know that's another reason that you've said that maybe the traction really hasn't been there for what the Fed has been trying to do. Good explanation there.

I do want to try to get though, to Meredith here, because as I mentioned off the top of the show, Fidelity just released an annual study, which we look forward to about how people in long term committed relationships handle their finances and communicate about their future goals. And obviously on the show we're always talking about, you know, what the economy means for investors. So we want to kind of dig into this topic a little bit because it does affect your finances and the money that you have left to invest. And Meredith, this survey is always particularly timed with what probably top of mind for people right now, love and relationships. I don't want to sound weird, but maybe this is something that you might want to consider discussing over your Valentine's Day dinner. I think getting on the same page financially can be kind of romantic, would you agree? And if you agree, you know, tell us—give us some ammunition here, walk us through some of the findings of this survey that we should discuss with our partner at the dinner table.

**MEREDITH:** Yeah, it's probably not a big surprise that I do agree. And money may not seem on the surface as romantic as a red card or some good chocolates, having harmony on money matters really can be an important part of a great relationship. Fidelity's been conducting this study since 2007. So we survey couples both individually and then as a couple and bring their answers together to identify where the partners are aligned and where they differ. It's always really insightful because some people who may think they have a great system for communication actually differ on quite a few topics related to finances. These conversations about money can feel daunting for many couples especially when they have different knowledge levels, different priorities and experiences around how they should spend, save, or invest. And this wouldn't be too surprising but we did find that communication is key to helping couples feel more confident as they navigate financial topics and expectations. And we also found that transparency and ongoing dialogue were really critical to ensuring couples were aligned on goals, priorities, roles, and responsibilities.

**HEATHER:** All right, speaking of alignment, so what happens if couples don't have matched financial perspectives, what if it is a little bit mismatched, Meredith, then what?

**MEREDITH:** Yeah, well and frankly it's more common to have people a little off course. So for example, 1 in 4 couples tell us money is actually their greatest relationship challenge and 45% of couples say that they argue about money at least occasionally. So you are definitely far from alone if you fall on either of these camps. Those numbers are even higher with younger couples in their 20s and 30s who are struggling to pay the bills. When something is challenging, it sometimes makes people afraid to try to face it. And before we talk around some tips around how to do that, here a look at some of the biggest areas of disconnect when it comes to communications. So not surprisingly, retirement savings was at the top of the list with over half of the couples feeling misaligned when it comes to having enough saved and that's followed closely by disagreements around investment decisions. 47% of the couples disagree on how much risk they're comfortable taking and the last two might be surprising to a lot of people with 34% disagreeing on what their next big savings goal should be as a family. And more than a third, or 36%, did not have the correct understanding of how much income their partner is making. About a quarter of people we surveyed say they get frustrated by their partner's money habits but they let it go for the sake of keeping the peace.

**HEATHER:** Well, by the way I should probably have pointed this out at the show, Meredith, but I want to emphasize here we're not just talking about married couples, right? We're talking about anybody who is in a committed relationship, right?

**MEREDITH:** Yeah, and it's both male/female or same sex couples. We didn't discern between those and that's with good reason because lot of themes and trends were sort of similar.

**HEATHER:** Yeah, I think that's important to distinguish there. So this conversation hopefully applies to a lot of our viewers and I think something, you know, I can identify with and maybe our viewers can identify with too, is what you were talking about frustration from one partner feeling, you know, like the other partner isn't practicing the way that you would preach or spending the way that you would spend or save. For me, for example, I talk about a lot on this show about how we spend so much money on groceries because I have younger kids, right? And then when I discover when I looked at my husband's credit card bill that he's eating out at lunch like every single day when he's in the office. And he's always in the office so you know that was frustrating because we're spending so much with inflation on that grocery list there. So, you know, do you have any advice for that and how common is that too when one person feels like they're always taking the reins and they're the primary financial decision maker and the other person in the relationship is taking the back seat. Is that common?

**MEREDITH:** Yeah, absolutely, and first of all, say you want to set up a situation that going to work for you. Some couples do want to kind of micro manage every dollar. Others feel like, you know what let's create 'ours' bucket and a 'mine and a yours' and that enables you to have little autonomy and flexibility with the smaller purchases. So whatever works for you is totally fine. We're definitely seeing some gender divides around retirement and investment planning so some of those long term aspects. So 31% of men in heterosexual couples say they take the lead compared to half as many or 16% of women. Thankfully over the years—

**HEATHER:** You and I were talking about that—not to interrupt you but we were just talking about before the show and how common that is. I think in a woman's defense, we take on a lot of the nurturing role sometimes—so I don't want to be too stereotypical here. But we take on other things, right? So sometimes we might outsource to the husband in the relationship or the male in the relationship and say, hey, you got to do something and that's how the men may end up traditionally end up taking on the finances. You find that with that survey?

**MEREDITH:** Absolutely. We just talked about summer camp in January around here is when everything is intense that can be hours and hours' worth of work. And so there's a point at which we're taking on a lot of day to day logistics and emotional labor, that something got to give. But the reality is that we found that 1 in 5 primary decision makers we surveyed, who are taking the reins, said that they actually resented handling a lot of these financial matters alone. And then the other partner resented being left out of them. So it really creates a great opportunity to reset. So whether your relationship follows traditional gender norms or not, mine is actually inverted, it is important you don't get stuck in certain roles in perpetuity because that what started out doing. It's really valuable to come to table regularly and have these conversations around what's working, what not working, and increase your knowledge so take the time to brush up on some of these little things like what a Roth or how should I prioritize these things.

It doesn't take a lot of time, and frankly, you know, you probably spend more time planning a vacation or an outing on a weekend. So it's a small investment of time over time really adds up. So take that time to understand each other, align on what you're working towards. Frankly, women are far more likely to credit their partners with having a better understanding of investing matters, but that may not always be true. And even if it is accurate in some areas, it may not be accurate in all areas. So regular conversations can be a great opportunity to up skill each other, even cross train. Ensure that your voice and everyone's voice is equally at the table so that you can have these cocreated financial decisions over the years that you can both feel aligned on.

**HEATHER:** I love that, cocreated financial decisions. And you know, maybe you're missing something or maybe your partner is missing something. So it's always good to have a second set of eyes on a plan, right, especially when it is your money. It's something so important, right?

**MEREDITH:** Exactly.

**HEATHER:** Jurrien, let's bring you in here too, I mean anything that you would add about the importance of open communication in your finances to this conversation?

**JURRIEN:** I mean, you know, as is always the case in relationships, communications are essential and whether there's a primary earner or two earners. You know, putting those sayings away in your 401(k), your IRA, or whatever it is and then investing it the right way. And these days, you know, it's a lot easier to that than maybe 20 years ago because we have all kinds of life cycle funds available where you don't have to figure out what is the problem allocation for me. You can sort of in a way set it and forget it and just make those contributions go as far as you can and then having that conversation about, you know, when do we retire and, you know, do we have the right expectations for how much money we'll have and, you know, who is contributing what and these are all good conversations. They don't have to be stressful necessarily. Nobody really likes to talk about it but better to have those conversations upfront than to actually retire and not be in a position where you thought you were going to end up.

**HEATHER:** Crucial, crucial conversation, Jurrien, I agree. Meredith, any tips for starting that conversation or how couples can go about improving communication?

**MEREDITH:** Yeah, I mean just remember these alignments don't happen magically. A couple of key tips are make sure you have regular conversations at an interval that works for you. I mean, some couples love to this sort of thing weekly. Others find it a bit more painful and don't have that muscle memory. Quarterly is fine if that what works for you. It is better than letting years go by and just not tackling it. Two is know you're not going to figure it all out in one sitting so don't feel like you failed if you've only tackled a small little piece in one conversation. And just be patient as you chart your course forward to set yourselves up for success.

The sooner you start, the bigger advantage you have in terms of optimizing the trajectory you're on, the time to have compounding work in your favor. And at the end of the day, whatever your financial goals are, that consistency, that communication can really make sure that you're working together and not against each other. To your example on lunch, are you saving enough and it doesn't matter or should you really be cutting back on those lunches?

**HEATHER:** Right, right, sometimes maybe it doesn't matter and maybe it'll help your anxiety level and your just overall, you know, ability to reconcile with things if you have an idea of where you are, right, and peace of mind I guess that's what I'm trying to say. Okay, so give us some actionable next steps here, Meredith. Anybody watching this webcast today, what should they do as soon as this webcast is over?

**MEREDITH:** Yeah, so three tips. So one is bare all financially—it really doesn't matter if you combine accounts or not but if your in a relationship that doesn't already have full transparency just plan on having a conversation sooner rather than later about where you are with financial matter so that can tackle debt or start saving for various goals. Two, periodically document what you own and what you owe as well as what you have coming in and out each month. It sounds so simple but not that many people take the time to do it and it really does give you the opportunity to be working with concrete facts, set goals, and go after them as a team. And then you can make adjustments over time. And then that ties into number three which is those small adjustments over time really pay off. Whether it's ten years down the line, 20–30, a little bit can go a long way when it comes to the power of compounding and it can really give you a peace of mind knowing that you're on the same page working towards something together and that you have done it together.

**HEATHER:** Yeah, that sounds fantastic being on the same page. All right, Meredith, fantastic job. Thank you, very timely conversation. Jurrien, before we go, quick time for a Timmer's—we have a few minutes for a Timmer's Take.

**JURRIEN:** So, you know, earnings is starting to wrap up. The numbers have been good so that's one check for, you know, a positive resolution to the start of the year. So I guess the main thing I'm watching is really whether those soldiers—whether and when those solders confirm the new highs made by the generals. And that will be an important I think milestone for the market when that happens.

**HEATHER:** All right, we know you will keep watching that for us. Jurrien and Meredith, thank you for the fascinating conversation. For more on how to get on the same financial page with a loved one, we have a great resource for you that we want to share. Visit Fidelity.com/couples, and there you'll find a range of articles and checklists and tools on the topic of strengthening your financial foundation with your partner. All from our team of in-house financial journalists here at Fidelity. And the QR code on your screen right now with take you to that page.

As always, if you have questions about making a financial plan or how to stay on track, Fidelity can help. Call us, go online to our website or download Fidelity's app to learn more. And remember if you missed any part of the discussion today and you want to watch it again or listen, you can watch by going to YouTube.com/Fidelity on YouTube or search the words *Market Sense* on Fidelity.com or search *Market Sense* in your Spotify app, store, or Apple podcast to listen to us on the go. So on behalf of Jurrien Timmer and Meredith Stoddard, a very happy Valentine's Day to everybody out there who does celebrate. And Galentine's Day today by the way. I am Heather Hegedus, we will see you back here in a bit at the end of month. We are on Tuesdays at 2:00 Eastern.

[1]Fidelity News Release: Love & Money: Most Couples Give Themselves High Marks in Communication, Yet Fidelity Study Reveals Hidden Frustrations in Couples' Financial Future

[2]About the Fidelity Investments 2024 Couples & Money Study: The 2024 Fidelity Investments Couples & Money Study analyzes retirement and financial expectations and preparedness among 1,794 couples (3,588 individuals). These are some of the findings of a survey conducted by Ipsos using the probability-based KnowledgePanel® between October 31, 2023 and Novermber 22, 2023 on behalf of Fidelity Investments. The Ipsos KnowledgePanel® is the largest and most well-established online probability-based panel that is representative of the adult US population. Respondents were required to be at least 18 years old, married or in a long-term committed relationship and living with their respective partner. This online, biennial study was launched in 2007 and is unique in that it tests agreement of both partners in a committed relationship on communication, as well as their knowledge of finances and retirement planning issues.

[3]Fidelity Viewpoints, February 8, 2024: 4 financial ways to say "I love you"



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