Ropes Wealth Covers What's Trending on TikTok and Flywheels

Apparently former Treasury Secretary Steve Mnuchin is the new Jamie Dimon. Last week he whipped out his checkbook to save New York Community Bancorp, and now he is putting together a group to buy TikTok? Teenagers around the U.S. are on tenterhooks to see if the Senate will pass the House bill to force TikTok's Chinese parent ByteDance to sell the popular social media app. Washington has long contended that TikTok poses a national security threat as American data could get into the hands of the Chinese government, and with a whopping 170 million U.S. users that concern is not without merit. As Congress takes this issue up, there is also the small matter of an impending government shutdown on March 22. Did I mention that today is also the Ides of March? I would warn you to beware, but we all know the fault is not in our stars but in ourselves.

(The repressed English major strikes again).

Turning to other less lofty literature that is nevertheless good reading, I want to borrow a masterful analogy from Good to Great, a favorite business management book by terrific author Jim Collins. The book is about how to grow your business, and in it Collins talks about how transformation does not happen in one fell swoop, but is rather like a 'Flywheel,' building turn by turn. As you gradually build momentum, at last it starts to spin by itself. Conversely, the 'Doom Loop' symbolizes those who, lacking patience and clarity, jump from one new direction or trend to another, seeking instant results. In their haste, they never allow the flywheel's momentum to build up.

This analogy reminds us that success is the cumulative effect of every push, every choice, every strategy, all driving towards greatness. Being disciplined and consistent is hard but it is worth it. Of course, we think the same holds true in investment and financial planning. We want to help you build flywheel momentum in your plan and avoid having the worries of the moment meaningfully impact your strategy.

With that, the current worry of the moment is the fact that this week both the Consumer Price Index (CPI) and Producer Price Index (PPI) reports came in hotter than expected, in a sign we are not quite done with inflation. The PPI rose 0.6% in February, double the rise expected and following a 0.3% gain the month prior. Year-over-year, producer prices rose 1.6% in February, up from the 1.0% gain in January and the largest annual increase in five months. While these numbers were uncomfortably high, it is notable the core PPI report (without food and energy) was much more muted, showing a 0.3% increase following a 0.5% gain in January. Year-over-year, the core PPI increased 2.0% in February, matching the 2.0% annual gain in January. Meanwhile, CPI rose 0.4% in February, as expected and following a 0.3% gain in January. Year-over-year, consumer prices rose 3.2%, up from the 3.1% gain in January and slightly more than the 3.1% annual increase expected. While the miss relative to expectations was minimal, the Fed was looking for further indications that inflation was abating and moving closer to their 2% target. The lack of convincing evidence suggests the Fed may be on hold for much, much longer than the market expects, which put stock markets into a mild doom loop to end the week. Even though retail sales picked up in February, rising 0.8% following a -1.1% decline in January, the market was unmoved, and noticed a good amount of retail spending was on rising prices at the pump.

This overall hotter inflation data had markets swooning again over the possibility the Fed delays cutting interest rates, and by less than hoped, which sent shivers down the spine of full-priced stocks, including the likes of Tesla, which was notably called a "growth company with no growth" this week by a Wells Fargo analyst who cut the company's price target from $200 to $125 (currently trading at $162). Tesla stock is down over -30% year-to-date, but it is not the only "Magnificent Seven" stock struggling. Apple too is off, due to iPhone sales weakness and lack of a coherent AI story. Even Nvidia lost some ground over the last week, and with earnings season winding down it is a good reminder to us that in the absence of fundamental news, markets will react to macro data much more fiercely, and level its measuring eye more carefully at companies trading at a premium.

Turning back to the ‘Flywheel’ analogy again, I want to reassure you that building momentum in your financial plan is about consistency, but please do not mistake consistency for complacency. To the contrary, Jim Collins would tell you that success is all about listening and engagement and course correction when appropriate. This is why our conversations and periodic check-ins together are so very important. “Wisely and slow, they stumble that run fast,” said Friar Lawrence to Romeo, and Shakespeare to us in a very good reminder that the success of our plan is built on discernment and deliberate action, which lies at the heart of our work together.

Thank you for your interest in our investment commentary and for your relationship with us. If you would like to speak personally with a member of our team at any time, please click **here**.

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