

**Consumer Trend Outlooks  
with Yahoo! Finance's  
Brian Sozzi**



**Gene Marks**

CPA, Columnist, and Host



**Brian Sozzi**

Executive Editor, Yahoo! Finance

**Speaker 1**

Welcome to Paychex THRIVE, a Business Podcast, where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host, **Gene Marks**.

**Gene Marks**

Hey everybody, it's **Gene Marks**. Thanks again for joining me once again here at the Paychex THRIVE Podcast. I'm really glad that you're here. I am here with **Brian Sozzi**. Brian is the Executive Editor at Yahoo! Finance, followed him on Twitter for a while. I'm a big fan. So Brian, first of all, thanks for joining.

**Brian Sozzi**

Big fan of yours, Gene, and good to see you off of Twitter and good to see you exist in human form, so that's great.

**Gene Marks**

Yeah. We are in real life here, so that is... And it just makes the conversation that much better. Are you in New York? Is that where you're based?

**Brian Sozzi**

I am in New York. I am Long Island grown, so to speak. I've been taking that Iron Horse train from Long Island to Wall Street pretty much my entire life. Probably... actually entire career life, about 25 years.

**Gene Marks**

Sorry to hear that, but okay, you're still around to talk about it and yeah, I was thinking next time we do this we will... It'd be nice to see you face to face. So I'm in Philly, so not too far away.

**Brian Sozzi**

No, I won't fault you for that. Some good sports teams on the list.

**Gene Marks**

So, first of all, congratulations on your new promotion. You're now Executive Editor at Yahoo! Finance. Tell me a little bit about your path to get there.

**Brian Sozzi**

Well, yeah, it's same guy, new position. So that's first and foremost. You can never let these positions, I think get to your head or really try to just halt on things that you're trying to achieve over the course of your life. But nonetheless, I started my career as a stock analyst at Wall Street Strategies, an independent boutique research firm covering 60 retailers. It's insane. You go to a normal Wall Street bank and the analyst covers about 10 companies. They do their thing, they play around their Excel models. And here I am, fresh out of college, 21 years old, no name college, thrown with 60 companies, which is just absolute insanity now that I go back and look at it. But, for me it was a great place to start ultimately get into business journalism, which we'll get into. But again, having that knowledge on financial statements, having that access to management teams and building some amazing relationships at the age of 21 and 22 set me up for being able to have conversations with you.

**Gene Marks**

Were you like an accounting major in college or a finance major?

**Brian Sozzi**

So my goal, I graduated in college in 2004, and all the rage back then was becoming a stockbroker. So, the stock market was doing it hot and the general vibe, at least in my business classes were become a stockbroker, make a ton of money and retire at 30, it sounded great. Of course I took my accounting classes, but I majored in finance and business and then just by chance I ended up as a Research Associate to start. And then six months in I became a Senior Analyst. A lot of late nights.

**Gene Marks**

So how did you make it into media?

**Brian Sozzi**

Interesting. So, when you become a stock analyst, a lot of your research is published in various platforms. It can move a stock price based on what you say. And after a while my reports were edgy. I always tried to make them forward-looking, do things differently, not just regurgitate garbage that was being recycled in other places and trying to change the game and think contrarian. A lot of my calls got picked up in various media outlets, and then it just snowballed from there. And then before I knew it, I was 26 appearing on various business news television networks. And then, I don't know, 15 years later, here I am.

**Gene Marks**

People like to hear people with opinions. As long as there's some justification or facts behind them, obviously, but...

**Brian Sozzi**

Well, I always thought, Gene, that the stock price of any company tells a story. A good story, a bad story. And my job as an analyst, at least how I viewed it, of course as a client component, but it was to unpack that story and try to find the truth for clients, whether it was good or bad. And how was I able to pour that into a 20-page resource report? How was I able to get these notes out faster than any of my competitors? It became a game after a while. A fun game and a helpful game.

**Gene Marks**

So, what does the executive editor at Yahoo! Finance do?

**Brian Sozzi**

Well, they come in every morning and they drink a lot of coffee, Gene. And then once they're done with that coffee, I don't know, at least me, I drink 10 more cups of coffee and then plan out my coffee drinking the next day-

**Gene Marks**

Okay, so you drink a lot of coffee.

**Brian Sozzi**

Yeah, it's a lot of coffee and a couple energy drinks flown in. But at the end of the day, I view my job, my new position here as having the ability to work with an amazing group of journalists. We have an amazing group of people here that are writing awesome stuff on banks. Writing awesome stuff on EVs and the future of automobiles, writing awesome stuff on markets. And then, oh yeah, while we're doing that and as I'm working alongside them, helping to shape our daily coverage or planning out our big conferences or planning out big ideas or sharing my source network, we have this live-streaming network, Yahoo! Finance live, that is live every day starting at 9:00 AM, and it's where the biggest CEOs and politicians come every single day to talk about what they're working on in business and finance, what they're working on in markets.

**Brian Sozzi**

I just got out of a conversation, I'm going to name-drop because I'm just in the zone right now, with Dave Rubenstein, the Co-Chairman and Co-Founder of the Carlyle Group. He just set up on the other side of our office and we spent 20 minutes talking about everything that he's working on. So, I think over the past four and a half years, of course Yahoo! Finances, I believe over 20 years old. I came here about four and a half years ago to help launch the streaming TV network, and now it is just flew. It's just skyrocketed since then. And we are now the home and the key destination for a lot of these influencers on all things business and finance.

**Gene Marks**

Yahoo! Finance it is legit. There was a time, obviously when the streaming world was just starting up, where you really didn't know who was going to emerge. And obviously we still have the networks, the CNBCs that are out there, the Fox businesses that do cover the world and the business. But it is a legit online streaming. And I go on it all the time. You do have a-list guests. And I guess if you can share with us what you know about the size of your audience. How big is Yahoo! Finance? How does it compare to some of the TV stations that we're normally familiar with?

**Brian Sozzi**

Well, this is... it's tough because I always like to share a lot of this stuff, but I can't share a lot of the numbers that we-

**Gene Marks**

Understood.

**Brian Sozzi**

... do get. This I could share. Yahoo! Finance is the largest business news platform on the internet by a factor of almost three times. That's not even close. People are coming onto us every single day, as you know as user of this platform to check their stock prices, to watch Yahoo! Finance live, to check out various stats on the ticker pages, to collect the news. We are that go-to destination for all things business and finance. And at the core, our mission is this, under our new leader top and bot, it is to grow the wealth of

investors. So, I wake up every single day and it's a mission that I've been focused on for the past 20 plus years of my career.

### **Brian Sozzi**

How can I help the person on the other side of the screen make money, not lose money or at the bare minimum, help them understand all this crazy information that's coming at them in real time. You have people pitching stocks on social media, you have people pitching stocks on TV, and then while all this has happened, you see a Fed member pop up and talk about stocks in the markets, not stocks, but markets and the outlook for interest rates. It's a lot coming at people and they just need help understanding it all. And then outside of that core mission, we are viewed as a neutral platform. By that I mean people come to us, they trust us, they know they're getting a real in-depth research conversation, not a five-minute interview talking about what they see in the newspaper.

### **Gene Marks**

Yeah. Like I said, it's very legit, nonpartisan, straightforward business source of content and it's really developed that way and it's developed really well. And just before we move on to some of the other topics, I wanted to just get your thoughts, again on Yahoo! Finance. You said it's mostly for investors and yet I got to debate you on that. I don't think it's just... I'm not a personal investor. I have my savings in mutual funds and wealth managers or whatever. I am a business owner and I cover business for The Guardian and The Hill and a bunch of other places. So, I go to Yahoo! Finance to just get a general take on where certain industries are going, where some of the big players are going, where the markets are going. So, I just wanted to clarify that with you. You don't necessarily have to be an individual investor to take advantage of the content.

### **Brian Sozzi**

I love it. I think that's tremendous and that is an awesome observation. And if our mission, and our mission is in fact growing the wealth of investors, but if you want to take a step further, it's growing the wealth of anybody that is coming to our platform. If you are in fact a small business owner, what can we do? What can we stand up across our live-streaming network? What can we stand up in our original text reporting that helps you understand what is going on in the markets, whether it's rate increases, inflation or hiring. These are all our core topics to Yahoo! Finance that we try to cover every single day and cover in a way that you're not going to find in a lot of our competitors. You're exactly right.

### **Gene Marks**

Yeah. I'm glad to hear that. So to that, I want to get your thoughts on some different topics I'm going to throw out. And I also want to caveat that, for all of you guys watching or listening, Brian is not... you're not teaching a course in economics at Yale. No one is saying that you're a big time economic investor or advisor, or whatever, but you're smart and you cover the economy and you cover what's going on with companies that are dealing with the economy. So, as a reporter, as a journalist, I know that you've got some thoughts on different things that are impacting all of us as business owners.

### **Gene Marks**

So, let's jump into it. For starters, let's talk about banks. Okay. A few weeks ago, Silicon Valley Bank collapsed. There have been a few other banks along the line. A lot of my clients, Brian, come to me and are like, "Oh, should I be concerned? Should I be moving all of my money to Citibank or Wells Fargo? Is there a problem?" I've been saying that there's 4,300 banks in this country, we're going to see a few more failures. It's probably... that would not surprise me. But I'm not panicking. I'm not moving my money out of

the community bank that I have our money with. But I'm curious to hear what your thoughts are today, and we're here mid-April timeframe on the banking system in the U.S.. What are you seeing?

**Brian Sozzi**

Yeah, one of the first things I did when the crisis really started, I won't even say crisis anymore, it's now turmoil. It's been-

**Gene Marks**

Turmoil is a better word.

**Brian Sozzi**

Turmoil. It's just turmoil. First things I did was put a statement out on LinkedIn that it was not a time to yell fire in a crowded theater. Now someone who covered the Great Recession and remembers a Lehman Brothers going down 60, 70% in real time and countrywide going away literally overnight. And it didn't feel like that similar situation, it didn't feel like an overleveraged housing market and backed up with various derivatives, and all this other garbage that piled into the financial system in 2008. Now, that's not to say that this wasn't a scary situation in March. How many people have ever seen a bank fail? How many people have ever seen people lined up outside of a bank like they did at Silicon Valley Bank trying to get their money? It was a very disturbing situation. Now, a lot of people that I talk to, they do see some more bank failures, mostly the regional bank failures.

**Brian Sozzi**

But like I told my mom, "Your money is safe." And I think that it's a key takeaway here. Now your deposits might be safe, but I'm not so sure about your stocks, I'm not picking stocks here. But I will say this, when the Fed has come out and I like they have an aggressively raised interest rates over the past year and a half, they just couldn't offer another interest rate increase. When they do something like that, it unwinds a lot of the behavior, a lot of the trades, a lot of the stuff that investors have been putting into the ground over the past year and a half on the premise or before then I should say.

**Brian Sozzi**

On the premise that rates are low, they're not low anymore, they're going up and they are likely continue to go up because of inflation. And when you do that, it just changes the whole investing dynamic and it changes the business climate. It just changes how we live. I would argue a lot of your clients or people that you know Gene, maybe they wanted to buy a car at some point this year. Now it's prohibitively more expensive to go out and buy that car. If you wanted to finance 6, 7% at the minimum, that fundamentally changes how you live your life. And I think that's a big thing that is getting lost in all this discussion.

**Gene Marks**

It's such a great point. I could tell you what I'm seeing, Brian. My firm has about 600 clients, mostly small, mid-size businesses, and I have a lot of people that read my stuff, email me. Interest rates right now, like you had just said, I think the Fed funds rate was at 0.25% a year ago, and now it's like at 5% one year later, which is just this dramatic increase. Many of my clients, they're seeing the primary rate at their banks is now as high as 8%, which means that if you're an existing business, even with good credit history to refinance your loans, to go back from our working capital to get that equipment loan, depending on your history, you could be paying 9, 10, even 11%. That's a lot. That is a lot more than what people were spending a year ago.

**Gene Marks**

And I'm already seeing that have an impact on some of my clients and I'm expecting to see even more of that throughout the rest of this year even into 2024. Is that... Are you seeing something similar and do you... My concern is that it just holds them back from investing and hiring because it's just the cost of capital has increased so much.

**Brian Sozzi**

If I had my... What you don't see on the other side of this camera, I have a whiteboard. If I was able to draw this out in real time with my magic eraser markers, I'd be drawing this out because you're absolutely right. We are seeing impact. Now a couple areas, one, the Fed's came out here and aggressively interest rates. We've seen tech stocks really hammered and we've seen companies, Google, Microsoft layoff people en masse. Well, those are people now no longer with jobs. And if they do not have jobs, that has less money flowing into the economy, maybe that... how does that trickle down into small businesses? So that's just the one general observation. Number two, we see in the actual labor market, we're coming off a labor report that was slower than the prior four-month average by, I don't know, 40; 50,000 jobs that's huge.

**Brian Sozzi**

And a lot of the executives that I talk to, I don't get the sense that they're getting ready to go out there and go on a hiring spree this spring or summer. I get the sense that they're still out there also looking to raise prices pretty aggressively. In some cases, over 10%, depending on what the product or the service is. So, this is an economy that, yeah we've seen inflation moderate, but it's still elevated. We've seen hiring continue, but not at the pace that it's had been for the past year. And if you want to go draw it all back, you could really trace it back to what the Federal Reserve, I would argue, has been doing. And then at the same time, the ongoing linger impacts of the pandemic. Pandemic isn't over in my view. It is out there and it continues to impact how companies hire, plan their businesses and ultimately drive productivity in the workplace just given where workers are located in many cases.

**Gene Marks**

Yeah, it's a great response about the pandemic and about what the Fed is doing. So, I speak a lot to industry groups around the country and I like to go... the St. Louis Fed Reserve FRED site where you get all the data, starts to prepare some data. It's amazing. It's just this amazing platform. And so I like to look at core prices of what my clients are paying. For example, the PPI right now is around 5%, the Producer Price Index, and it's been trending down, which is really good news of course.

**Gene Marks**

But, when I compare prices of construction materials, your piping, your manufacturing costs, overall costs for things like gypsum cement, all these core products that my clients use all the time, they're anywhere from 10 to 40%. Utilities costs are 30 to 40%, they were two years ago. So, to your point, I'm seeing a lot of my clients and then a lot of people that I speak to, they're relieved that inflation is tapering or plateauing at least, although it's still at a higher level than most people would like. But they're still trying to adjust to just this overall higher cost structure.

**Brian Sozzi**

Well, and they are adjusting, and I'll give you some more examples. You see now promotions at retailers starting to pick up, whether it's a T-shirt, pair of jeans or sneakers, you're seeing these promotions pick up because inventory levels are too high. Consumers have said, "I'm not buying this stuff at these inflated prices. I'm going to force you to reduce these prices, something more affordable." I see it with big ticket goods, whether it's appliances or even vacations now, the prices for this stuff have gotten so high that consumers are pushing back. And I'm not seeing a lot of companies come out here and say, "You know what? I'm going to cut prices. I'm going to cut prices. If I raised prices 40% over the past years, two years, I'm going to cut them by 40%." Hell no, they're not doing that.

**Gene Marks**

It's not really happening.

**Brian Sozzi**

And I think consumers are finally realizing that they're not going to buy these products at these prices. One, because they're just not going to, or two, they just don't see the utility of adding more things to their lives.

**Gene Marks**

You just mentioned retail. So, up until through the last quarterly results, all the major retailers are saying, "Hey, things have been not bad." Christmas holiday season wasn't as great as they would like it to be, but still so far not so bad. And yet they're warning us. They're warning us. They're warning us that things are going to taper off during this year. They're seeing a potential slowdown. Consumers themselves... Household wealth has declined a bit, but it's still at historical highs. I was seeing how credit card delinquencies are starting to rise, but still not at the level of debt that's out there yet that we saw back in 2008, 2009. In other words, do you think people were going to keep spend... Will the consumer carry our economy through a potential soft landing or even a light... Do you have any kind of optimism? We might be looking at a light recession or even better than that in 2023. Are you more pessimistic?

**Brian Sozzi**

I used to believe that this old adage that was fed to me out of school, not to bet against the U.S. consumer. I heard that every single day from 2004 to about 2007. And then it all blew up during the financial crisis. Consumers are just smarter. They have more tools at their disposal to look for the lowest possible price. I see consumers in the credit card data that I get from the various banks, they are pulling back. They are spending more cautiously to kick off the spring and this view that they're going to be able to spend willy-nilly spring, summer and the peak back to school shopping season, I think is just a falsehood.

**Brian Sozzi**

But I don't get the sense they're ready to go into a cave. I think some happy medium... I think for middle income to higher income consumers, they will go out there and spend just out to the extent that I think a lot of people think. And then the real problem here is these lower-income shoppers. It's those dollar store shoppers that just had a lot of their food stamp benefits rolled back at a time where inflation for everyday essentials remained high. That consumer is under major, major stress. And to think that that stress has gone away over the past six months is completely not correct.

**Gene Marks**

Fair enough. We can't have a conversation about consumers without talking a little bit about housing. What I'm seeing in housing and construction is... Home real estate is having challenges. But when people ask me how the real estate market is, and I don't know if you see the same thing because again, I travel around and I speak to different real estate groups around the country. It's almost like it depends. People might be like, "My son is moving down to Charleston, South Carolina and looking to buy a house." Market's still very

hot, and yet there are other parts of California where it's really weakened. It's very tough to make an overall judgment about the U.S. housing market right now, but for sure that's plateaued as well. And I'm wondering what your thoughts are on housing and where it's going.

**Brian Sozzi**

You are correct. We're on plateau. In some markets demand is just absolute cratering in large part because of the, I think surge and prices that the pandemic brought. But despite the sales plunging prices. Even in here, we've been talking a lot about inflation. Prices for homes are still high. And then it is keeping a lot of folks out of the market, just the raw prices for homes. And then you bolt on the fact, now you have rates that are significantly higher. A mortgage payment that maybe three years ago is what? \$2,000 a month might be damn near \$4,000 a month.

**Brian Sozzi**

That is just like, whoa. You cannot even afford to own a home. You have to be able to probably end up having to rent or maybe you buy a condo. And I just think the housing market may, just based on who I've talked to and who... just general observations housing, the housing market can continue to stay under pressure this year. And anecdotally using some of my old school analyst skills, I see it in Home Depot, I see it in Lowe's. The stores feel more full in terms of inventory. And yeah, supply chains are improving, but to me that says a consumer that is concerned about their ability to afford a home, ultimately also to invest in the home that they have given how far prices for things have increased.

**Gene Marks**

It's classic. It's like, who would've thought... You've got this job where you have to have an intelligent informed opinion about all these different topics. And just by osmosis, you do because you're covering it all the time. You don't have to be teaching your course on this.

**Brian Sozzi**

I have my life. With all this knowledge comes the downside to it where you do not in fact have a life. That's okay, I made that deal-

**Gene Marks**

This is the sacrifices one makes, okay? For your country.

**Brian Sozzi**

I dig it. I can't imagine doing anything else.

**Gene Marks**

Right. Fair enough. All right, I have a couple more questions for you then. I will certainly let you go. Technology. Okay. I'm not even going to... Give me your thoughts on ChatGPT and AI. Are you as... Okay, I will preface this. I don't know if you ever listened to Lex Fridman's Podcast. It's a fantastic podcast. He doesn't... He's an AI guy, but he interviews all these well-known people from Elon Musk to Sam Harris or whatever, and he did over a two and a half hour conversation with a Sam Altman, with his CEO of OpenAI who makes ChatGPT.

**Gene Marks**

It was really great. And my takeaways from this conversation was, this is like the Y Combinator guy, super smart, nice guy, really doing his best. He still seemed terrified of the technology that they were making. I feel like the train has left the station when it comes to this stuff. I don't even know how you can even



control it at this point, but I am curious about your overall thoughts about the phenomena that is ChatGPT and Bard and the other AI tools that are now upon us, how they will help the world, how they might hurt the world.

**Brian Sozzi**

Well, I think a lot of this AI will drive a lot more productivity and you'll be able to get things done a lot faster. Now, the scary component to that is what does that mean for jobs? There are, I think a couple different camps. You get the camps were saying, "This will cause a major reskilling or upskilling of the workforce." There's the other camp that says, "Well, these workers are just going to completely disappear because I can essentially talk to my computer and I get all my work done. I don't have to type anything." But it is going to lead, I really do believe to a massive productivity boom that will benefit a lot of public companies, not just for those selling the software, but for those companies able to integrate it into their workflows.

**Brian Sozzi**

It will lead to higher returns on assets, equity, investment, you name it. And then perhaps for a lot of companies, those companies that are investing aggressively in these things, their stock prices will outperform. But I will add this cautionary note. I recently went to a conference out in Las Vegas and we're at the conference, probably a couple hundred exhibitors at this conference, Gene. And a lot of companies are out there toting artificial intelligence. So I've talked to a couple of people at the demo station. So, what is artificial intelligence?

**Gene Marks**

They don't even know.

**Brian Sozzi**

Don't even what it was, Gene. And then that was one thing that caught my attention. And then number two, older companies, I'm not going to mention any names, but older companies that I knew did one thing are suddenly seemingly overnight your AI solution. Well, I'm blown away because these companies two months ago used to completely do something else. Now they're pitching various AI solutions, which makes me wonder, were they doing AI before? Are they even doing AI now? So from an investor standpoint, I would caution. I'm telling a lot of my folks here this in the newsroom, anybody pitching that they are now an AI company question it 125 times over.

**Brian Sozzi**

They better have clear examples on how they're using AI to power the next generation of anything they are doing. One of the clearest examples that I've recently come across of an AI company, it's actually Pinterest. I've gotten to know the CEO, Bill Ready there, new CEO at that company. I think they're going to use AI to really improve and just help do more positive things in terms of social media. But again, it is in fact, it reminds me of what I saw with the cannabis stocks a couple years ago. A lot of hype and maybe at least right now, not a lot of substance.

**Gene Marks**

Hey man, good for them. They're jumping on the trend. They're trying to sell their products. Whatever buzzword works, if they can make a story behind it, then fair enough. All right, Brian, we're almost out of time. So let's put our investor hat on now. Again, just all the caveats, you're not a financial advisor, okay? You're not a wealth management guru, all that kind of stuff. You cover this stuff. So if I were to give you \$50,000 today, where would you put your money? What industries do you like? What businesses do you like?

**Brian Sozzi**

Ooh, I'm going to go contrarian. I would take \$50,000 and invest in yourself. And I hope that doesn't sound...

**Gene Marks**

It's a great answer.

**Brian Sozzi**

... really lame or corny. I would actually take that \$50,000 and invest it in taking new courses, get trained, get upskill in AI, learn new technologies, learn new leadership and new management type things. I think there is... Coming outside of the pandemic, there is a void in understanding how to lead people. And I think if you take that \$50,000 or maybe half of it, let's say, go out and get upskilled in technology, go out and get courses in management and leadership, I think these will add meaningfully to your life. And then I think to your own bottom line, looking out over the next 20 years, maybe take half and do that. Take half of that, maybe go and buy a CD and the rest of that, I don't know, put it down towards the covet.

**Gene Marks**

You're making me feel bad. I would've said to go and buy a Tesla, but that's just me.

**Brian Sozzi**

I'm a car guy. I'm a car guy.

**Gene Marks**

Brian Sozzi is the Executive Editor at Yahoo! Finance. You can find him where, give us your Twitter handle.

@BrianSozzi. Pretty simple.

**Gene Marks**

S-O-Z-Z-I. Folks, thanks very much for watching. Brian, thanks very much for joining me. That was a lot of fun. You guys have been watching and listening to the Paychex THRIVE Podcast. My name is **Gene Marks**. Thanks again for joining in. If you need any help or advice or would like to suggest guests for our future episode, please visit us at [payx.me/thrivetopics](https://payx.me/thrivetopics). Again, thanks. We will see you again very soon. Take care.

**Gene Marks**

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**Speaker 1**

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