

~ Prevailing Winds ~

A Quarterly Market Update

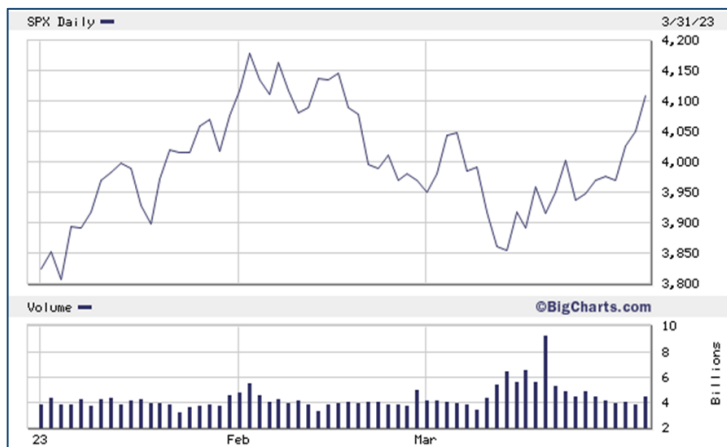
March 31, 2023

Quarterly Recap:

Once again, we are reminded that as a new year is celebrated, it does not necessarily mean that anything has changed. Indeed, the first quarter of 2023 has been earmarked by hand-wringing, cold sweats, a few cheers and perhaps colorful expressions of frustration. The enthusiasm prevalent during January quickly faded as the fear of rising rates and a recession took-hold. Despite the newfound concern of a banking crisis, the markets stabilized and actually rallied during March. The year so far is a kin to being on a see-saw.

Quarter Ending March 31, 2023

Equity Indexes	Close	% Change
DJIA	33274.15	0.4%
S&P 500	4109.31	7.0%
NASDAQ	12221.91	16.8%
Treasuries	Close	Change
10-Year Yield	3.48%	-0.40
2-Year Yield	4.06%	-0.35

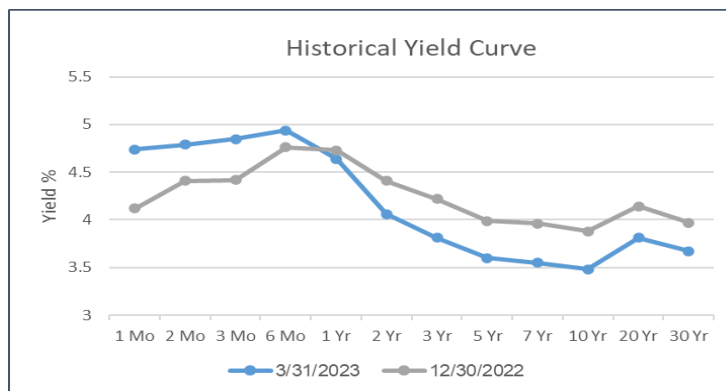


The Stock Market:

Uncertainty reins for equity investors, causing the broad indices to remain largely unchanged over the past two years. As usual, there are two competing views. One camp believes that corporate earnings will weather the storm and that the underlying fundamentals provide a recipe for future growth. Others believe that the gray skies mean rain, a recession and a continuation of the bear market. It is not surprising that there are bulls and bears. What has been surprising that market leadership thus far has been technology with the laggard being energy stocks. This is a complete reversal from what was seen last year and what had been expected.

The Bond Market:

The Federal Reserve and fixed income investors continue to hold course...but not the same course. The Fed is insistent that inflation is the paramount concern and it intends to keep interest rates at a level to ensure that inflation abates. The market, however, believes that rate increases will soon be followed by interest rate decreases. Who is correct? We are not completely sure but we do know that the volatility will persist until there is some clarity. As we have argued in the past, it is not wise to expect clarity when there is none. Humility is a critical virtue in these market conditions.



Looking Ahead:

All investors would prefer certainty over confusion and stability over volatility. Unfortunately, the macro environment is unlikely to cooperate. The antidote for this is to go back to basics. Well-run companies are just that and they will survive and perhaps even thrive in these conditions. Bonds and stocks now offer patient investors with more attractive income opportunities. Rather than trying to outwit the market conditions, investing basics lead one towards moderation, consistency, and patience.