



~ Prevailing Winds ~

A Quarterly Market Update

June 30, 2023

Quarterly Recap:

Many seem to be looking at the calendar in complete disbelief.....How can we be halfway through the year! We are convinced that the clock actually does speed-up. In contrast, the financial markets seem to be stuck in time in many ways. The risks related to inflation and recession were expected to have been resolved by now. Instead, as market prices fluctuate, we continue to wait for the fireworks to begin. For investors, time is passing quickly, but the cautious waiting has been unnerving.

Quarter Ending June 30, 2023

Equity Indexes	Close	% Change
DJIA	34407.60	3.4%
S&P 500	4450.38	8.3%
NASDAQ	13787.92	12.8%
Treasuries	Close	Change
10-Year Yield	3.81%	0.33
2-Year Yield	4.87%	0.81

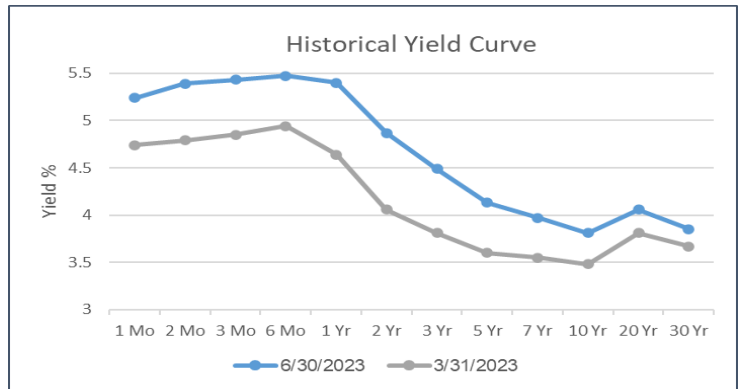


The Stock Market:

The equity markets continue to confound investors. Many often ask..."How is the market doing?" A simple question but first, one needs to identify what the "market" is. If the "market" is a diversified basket of stocks which is balanced in terms of industries and company sizes, then the "market" is plodding along in a somewhat directionless pattern. If one considers the "market" to be large U.S. companies focusing on technology and artificial intelligence, then the "market" is raging to the upside. This divide is perhaps the biggest surprise of the year. What is unclear, is whether the market broadens, reverses, or if the trends continue.

The Bond Market:

For some time, there has been a disconnect between Fed policy and market expectations. One would have thought that the long awaited "pause" in interest rate hikes would have provided some clarity. Instead, the Federal Reserve has consistently telegraphed that future rate increases are likely and that a pivot to reducing rates is not in the cards. Once again, the economy is plagued by moderate inflation while job growth has prevented the onset of a recession. The Fed and investors remain at odds as to the timing or certainty of a recession. Time in many ways is standing still.



Looking Ahead:

We are facing some of the most challenging market conditions. It is only human to want to do the "right" thing. Unfortunately, being "right" involves a big gamble with imperfect information and tremendous uncertainty. For those interested in maintaining wealth and growing it cautiously, trying to be "right" is a risky approach. In this era, being partially right without the risk of being totally wrong is a more suitable objective. Much like summer revelers who enjoy the sunshine, but not without their sunscreen, hat, and sunglasses. Time will bring us the answers, until then, enjoy the moments in-between.

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