**Weekly Market Commentary**

**January 17, 2023**

**The Markets**

Bullish or bearish?

After last year’s geopolitical turmoil, economic malaise, and tumultuous stock market decline, many financial professionals – from investors to asset managers – have strong opinions about what will happen in 2023.

**Some are bullish**. While individual opinions are quite nuanced, in broad terms, bulls tend to think the Federal Reserve (Fed)’s rate hikes will slow soon since headline inflation has been trending lower. Some bulls anticipate an economic recession in the United States and expect the Fed to reverse course and begin lowering rates to pull the country out of recession. Lower rates, in turn, may reinvigorate the economy and corporate earnings, and the stock market will move higher. Some expect the market to move lower before it moves higher.

Barron’s Roundtable member and stock asset manager Todd Ahlsten told Lauren R. Rublin of *Barron’s*, “The S&P 500…is trading for 17 times forward earnings, down from 21 times, which looks attractive. We see 60/40 odds that inflation is defeated and the economy has a soft landing or mild recession, as opposed to a hard landing. This is the year the Fed pivots. Rates probably peak in March…You’ve got to fasten your seatbelt for the next three to six months, but the S&P 500 could end the year above 4300.”

**Some are bearish**. Again, individual views are nuanced but, in broad terms, bears tend to think inflation will remain elevated. They see economic strength, particularly in the labor market, as a sign that the Federal Reserve will need to continue to pursue its current course and sustain interest rates at a higher level over a longer period time. Economic growth and corporate earnings may slow, and markets might finish the year flat or lower.

*Barron’s* Roundtable member and bond asset manager Sonal Desai told *Barron’s*, “I am not an equity person, but based on my macro[economic] outlook, I expect the S&P 500, and equity markets generally, to be flat this year. The current market volatility is less about the data and more about everyone trying to second-guess what the Fed’s reaction will be. An unemployment rate of 5% isn’t massively recessionary. Interest rates of 5% aren’t massively contractionary. We just happened to have a 15-year period in which interest rates were close to zero. That isn’t normal.”

Whether they were bullish or bearish, many financial professionals (*Barron’s* Roundtable members included) agree on one thing – there are attractive opportunities for investment, regardless of what 2023 brings.

Last week, the Consumer Price Index showed headline inflation slowing for the sixth consecutive month, although core inflation, which excludes food and energy prices, moved higher. Investors focused on the headline numbers and major U.S. stock indices gained last week. Yields on longer-term U.S. Treasuries finished the week lower.

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| **Data as of 1/13/22** | **1-Week** | **Y-T-D** | **1-Year** | **3-Year** | **5-Year** | **10-Year** |
| Standard & Poor's 500 Index | 2.7% | 4.2% | -14.2% | 6.7% | 7.6% | 10.5% |
| Dow Jones Global ex-U.S. Index | 4.1 | 6.8 | -14.2 | -0.2 | -1.1 | 2.0 |
| 10-year Treasury Note (yield only) | 3.5 | N/A | 1.7 | 1.9 | 2.5 | 1.9 |
| Gold (per ounce) | 3.0 | 5.2 | 4.8 | 7.2 | 7.3 | 1.4 |
| Bloomberg Commodity Index | 3.2 | -1.1 | 8.3 | 11.6 | 4.8 | -2.2 |

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

**Heal thyself!** Scientists have been developing smart materials that can heal themselves. These substances have the potential to make everything from bridges to bicycles more durable by repairing damage as it occurs. Last week, we learned that self-healing materials were engineered and used by the ancient Romans.

For years, scientists have marveled at the durability of Roman concrete. It was used to build the Pantheon Dome, harbors, and other structures, and proved to be more robust than modern concrete. The Pantheon was built two thousand years ago, and it remains the world’s largest unreinforced concrete dome.

Scientists recently discovered that Roman concrete included lime clasts, a material that contains calcium oxide. When damage occurred in Roman concrete, cracks would form through the lime clasts. Then, as water traveled through the crack, a calcium-saturated solution would form and crystalize, repairing the crack.

Knowing the secret to the durability of Roman concrete is likely to improve modern concrete and extend the lifespan of many types of infrastructure. Concrete isn’t the only material that has the potential to repair itself, though. Scientists are engineering other smart materials to fight the effects of age, wear-and-tear, and defects in all kinds of products. Typically, these substances contain microcapsules filled with some type of repair material. When damage occurs, the microcapsules rupture, releasing their contents to combine with a catalyst and repair the damage. In some cases, the catalyst is water, light, or another environmental factor. In other cases, the catalyst is engineered into the material, too.

Self-healing materials could have many interesting applications. Imagine airplanes that can repair wing and fuselage cracks. The same might be possible for spaceships, satellites, automobiles, motorcycles, and bikes. Already, there is a coating that mends scratches in automobile paint. All you need is a self-healing clearcoat and some sunshine.

The global market for self-healing materials is expected to grow rapidly.

**Weekly Focus – Think About It**

“We live in a society exquisitely dependent on science and technology, in which hardly anyone knows anything about science and technology.”

*—Carl Sagan, astronomer and astrophysicist*

Best regards,

Adam B. Hartung

P.S.  Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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\* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.  However, the value of fund shares is not guaranteed and will fluctuate.

\* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

\* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client’s portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

\* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

\* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

\* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.

\* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

\* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

\* The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

\* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

\* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

\* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

\* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

\* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

\* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

\* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

\* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.

\* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

\* Asset allocation does not ensure a profit or protect against a loss.

\* Consult your financial professional before making any investment decision.

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