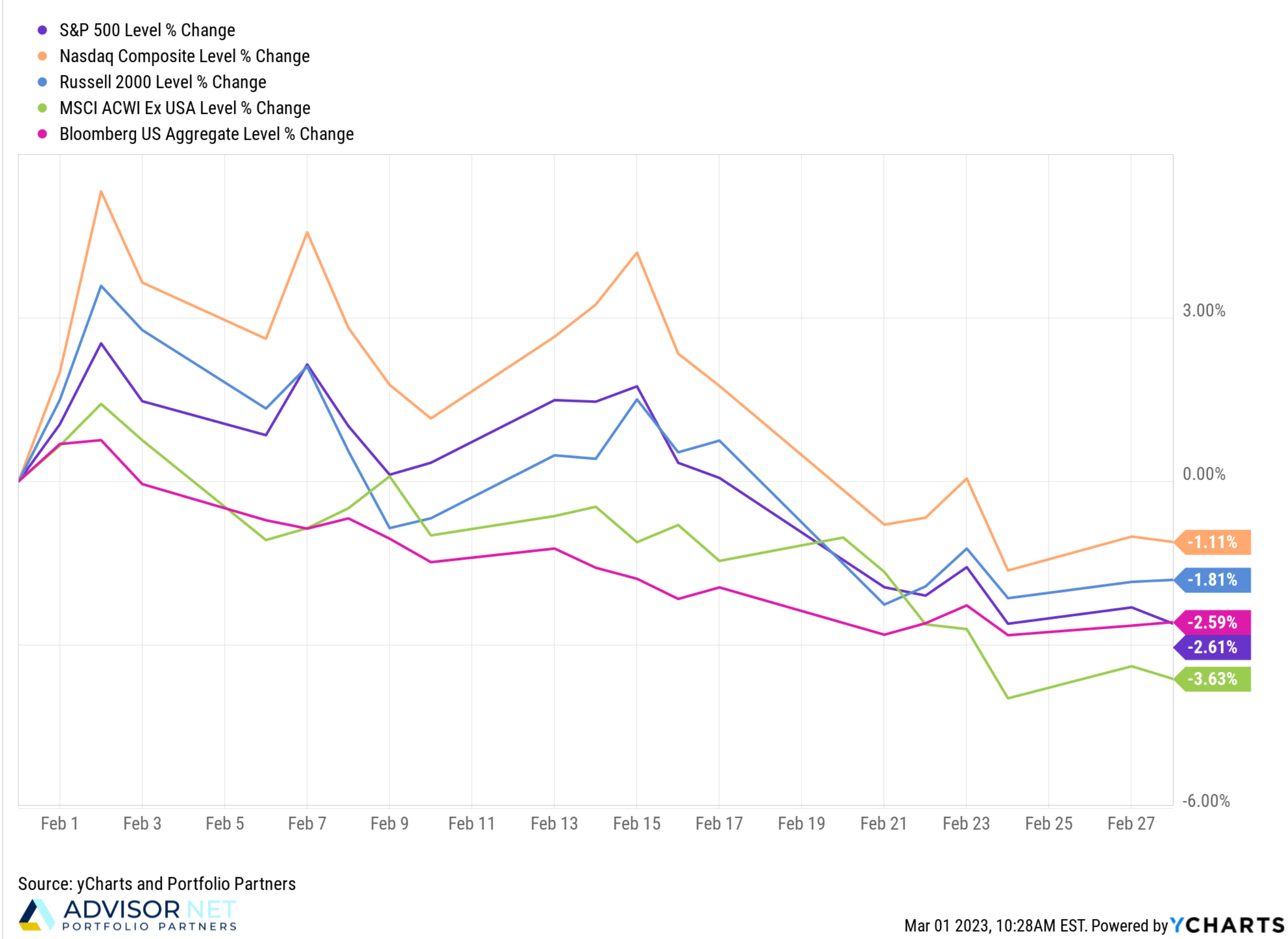
GBA Financial
financial planning for retirement

Newsletter
March 2023

Short, but Not Sweet

February is the shortest month of the year with only 19 trading days. It was, however, jam-packed with economic news and corporate earnings that led to more than its fair share of disappointing market performance. The S&P 500 was lower by -2.61%, the NASDAQ Composite lost -1.11%, the Russell 2000 fell by -1.81% and the MSCI ACWI dropped -3.63% during February. The bond market declined due to rising interest rates with the 10-year US Treasury rate lifting from 3.53% last month to 3.92% at the end of February. This led to a loss of -2.59% for the Bloomberg US Aggregate index. (CHART 1)

Chart 1 - Disappointing Returns in February



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JOBS + CPI + PPI + PCE = -2.61% SPX

Market math can be confusing, but just like a word problem in math class we should start by writing down what we know. The month started with a better-than-expected jobs report on February 3rd; an "in-line" Consumer Price Index (CPI) number on February 14th; a much higher Producer Price Index (PPI) report on February 16th and finally a higher-than-expected Personal Consumption Expenditures (PCE) report on February 24th.

While this alphabet of economic indicators can be intimidating, we find it helpful to simplify. We know that the Federal Reserve Board (the Fed) has changed its playbook from supporting economic growth to trying to tactfully slow economic growth. The goal of this shift is to "fight inflation". All data must now be interpreted in that context. Ironically, this means that "good" economic data points will likely be interpreted negatively by the market because it could mean further tightening action by the Fed. And vice versa.

As stated, the data points mentioned above continue to suggest that inflation is not yet under control and that likely means the Fed will continue to raise interest rates. We believe that it will be difficult for the stock and bond markets to enjoy a sustained advance while the Fed is operating the "fight inflation" playbook. We expect continued volatility in stocks and bonds as the market factors the impact of higher interest rates into prices. In other words, if inflation expectations continue to rise, stock and bond prices will likely struggle to rise.

The good news for investors, however, is that we are about 12 months into this adaptive process and market expectations are starting to better reflect the reality of higher interest rates. In other words, we are hopeful that the worst is behind us so brighter days may be ahead.

Less Bad is Good

The stock market has been relatively flat since about June 2022 as the market has worked higher and lower in a potential bottoming process. We believe the market is digesting economic data and corporate earnings results that are pointing to "less bad" conditions. We think "less bad" can be good. Market history would suggest that this is a health process that tends to occur before the market can resume a sustained uptrend.

We are closely watching market action combined with economic and corporate data points to determine potential next steps for our portfolios. We will, as usual, keep our valued clients posted as our thoughts and actions evolve.

MARKET TRACKER – 2/28/2023

INDEX	3 mo	1 yr	3 yr	5 yr
S&P 500	0.62%	-7.69%	12.15%	9.82%
MSCI ACWI ex-USA	4.72%	-6.70%	5.75%	2.10%
BLOOMBERG US AGGREGATE	0.18%	-9.72%	-3.77%	0.53%

(Source: yCharts and Portfolio Partners)

MARKET TRACKER – 2/28/2023

S&P 500	3,970.15
DIJA	32,656.70
NASDAQ	11,455.54
WTI CRUDE OIL	$77.05 /BARREL
GOLD	$1,828.90 /OUNCE
10-YEAR TREASURY FIELD	3.92%
UNEMPLOYMENT	3.40%
GDP	2.70%
PPI	6.03% Year-Over-Year
CORE CPE (INFLATION)	4.71% Year-Over-Year

(Source: yCharts, Dorsey Wright and Portfolio Partners)

Thank you for your trust and support.
Stay focused on your long-term objectives.

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The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as “growth” based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as “value” based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.

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The S&P 500® Consumer Discretionary comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.

The S&P 500® Utilities comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.

The S&P 500® Communication Services comprises those companies included in the S&P 500 that are classified as members of the GICS® communication services sector.

The S&P 500® Real Estate comprises stocks included in the S&P 500 that are classified as members of the GICS® real estate sector.

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks and is also used to refer to the Nasdaq Composite, an index of more than 3,000 stocks listed on the Nasdaq exchange. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index. The MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The Bloomberg Barclays US Aggregate Bond Index, which was originally called the Lehman Aggregate

Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody’s and BBB- by S&P. Taxable municipals, includ-ing Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The MSCI All-Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United King-dom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

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