As you know, we are not market timers. We do not believe in jumping in and out of the stock market based on short-term trends. We really do not think anyone can realistically pull this off on a consistent basis since none of us owns a crystal ball. Nevertheless, our strategies sometimes “lean into” greater ownership in stocks, while at other times we “lean away” from stocks and assume a more conservative stance. In each case we strive to participate as much as possible without taking undue risk. Right now, we think the prudent approach is continued participation in the stock market; it would be foolhardy to abandon stocks altogether. However, we are inclined to “lean away” from the level of risk in the stock market we would ordinarily target. We have been focusing on stock investments, based off of Morningstar’s research, that tend to take average to below average risk compared to their peers. Now this might change in the upcoming months, when we are hopeful we will have passed the debt ceiling crisis and inflation is back to levels that the Federal Reserve feels more comfortable with. One positive note that I would like to point out is that since mid-October of last year, the S&P 500 Index is up 15%.

Bonds need to be represented in a balanced portfolio, but expectations for returns from the bond market must be recalibrated. After a succession of interest rates falling in the past thirty years and giving us some very attractive returns in the bond markets, the trend hit a grinding halt last year. Rates went up and we were left with the worst performing year in the history of the Barclays Aggregate Index. Things have improved this year with the Index being up 3.3% and we feel this could continue if we see a pause from the Federal Reserve later this year in increasing rates – which is quite likely going to happen since inflation has cooled down considerably in the last twelve months. It could get even better for bonds if the Federal Reserve actually starts lowering rates later this year or sometime in early 2024 – as some analysts are predicting.

Finally, as I pointed out in an email I sent out on April 14 of this year, conservative assets currently are offering great rates. Short-term CDs (a year or less) are now offering rates above 5% while money markets (which do take risk) are also hovering around 5%. While I Bonds were the darlings of conservative rate investments in 2022, with their new rate that just came out at 4.3%, I would look at the former before putting more money into I Bonds. So I strongly urge you to find out what interest rates you are currently receiving in your checking and savings accounts so that you can make sure your money is working for you.

Take care and here is hoping for a great Summer: weather-wise and marketwise.

Greg Bork

Percentages in this report were captured or calculated from information found on yahoo! Finance. The opinions voiced are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. Government bonds and Treasury bills are guaranteed by the US 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. Stock investing includes risks, including fluctuating prices and loss of principal. No strategy assures success or protects against loss. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.