**Weekly Market Commentary |
March 20, 2023**

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**03.20.2023**

**The Markets**

Unknowns and uncertainty.

Financial markets were volatile last week as investors parsed the risks around bank closures, central banks offered additional protections for depositors, and regulators took a harder look at bank balance sheets.

“For much of last year, volatility was elevated, but the risks were somewhat ‘known’ (chiefly inflation and recession)…Now, the introduction of the banking crisis has created a new unknown, which could ultimately mean a sharper increase in volatility (if worse than expected) or a quick reprieve (if fears prove unfounded),” opined a source cited by Nicholas Jasinski of *Barron’s*.

Unknown risks create uncertainty, and you know what they say about markets and uncertainty.

Yields on Treasuries dropped sharply as investors sought opportunities they perceived to be safe, reported Lawrence C. Strauss of *Barron’s*. The yield on the two-year U.S. Treasury dropped from 4.6 percent to 3.8 percent, and the yield on the 30-year U.S. Treasury fell from 3.7 percent to 3.6 percent.

While Treasuries are considered to be quite safe, one lesson from recent events is that there are circumstances in which even safe-haven investments may produce a loss. For example, in general, bonds expose investors to interest-rate risk. When interest rates rise, the value of bonds falls. If a bondholder must sell a bond before it matures, the seller may realize a loss.

In stock markets, bearish sentiment was high. Almost half (48.4 percent) of participants in the AAII Survey of Investor Sentiment were bearish. That’s well above the historic average of 31.0 percent.

In contrast, just about one-fifth (19.2 percent) were bullish. That’s well below the historic average, which is 37.5 percent.The Survey of Investor Sentiment is widely considered to be a contrarian indicator and, in general, the market moves in opposition to contrarian indicators.

Despite investor pessimism, the Standard & Poor’s 500 Index and Nasdaq Composite finished the week higher, while the Dow Jones Industrial Average finished slightly lower.

Markets are likely to remain volatile this week. If you find yourself wondering how short-term market fluctuations may affect your long-term financial goals, get in touch. We’re happy to talk about any concerns.

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| **Data as of 3/17/23** | **1-Week** | **Y-T-D** | **1-Year** | **3-Year** | **5-Year** | **10-Year** |
| Standard & Poor's 500 Index | 1.4% | 2.0% | -11.2% | 15.7% | 7.6% | 9.7% |
| Dow Jones Global ex-U.S. Index | -2.3 | 1.1 | -11.0 | 10.0 | -1.3 | 1.4 |
| 10-year Treasury Note (yield only) | 3.4 | N/A | 2.2 | 1.0 | 2.9 | 2.0 |
| Gold (per ounce) | 5.4 | 8.3 | 0.6 | 8.5 | 8.4 | 2.0 |
| Bloomberg Commodity Index | -1.9 | -9.1 | -17.5 | 18.3 | 3.5 | -2.9 |

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.

**IS MY MONEY SAFE?** The run on a California bank brought the Bailey Brothers Building and Loan to mind. If you’re a fan of *It’s A Wonderful Life*, you probably remember the scene where George and Mary Bailey distribute their honeymoon savings to make sure the Building and Loan remains solvent.George explains to the townspeople:

“You're thinking of this place all wrong. As if I had the money back in a safe. The, the money's not here.

Well, your money's in Joe's house...that's right next to yours. And in the Kennedy House, and Mrs. Macklin's house, and, and a hundred others. Why, you're lending them the money to build, and then, they're going to pay it back to you as best they can.”

While banking is not that simple or straightforward, programs are in place to protect depositors.

For example, the Federal Deposit Insurance Corporation (FDIC) insures up to $250,000 in qualifying accounts at FDIC-insured banks per depositor. If you have accounts at multiple FDIC-insured banks, each account may be insured up to the maximum. (In many cases, depending on how various accounts are titled, more than $250,000 may be insured at a single FDIC-insured institution.)

Last week, the Treasury Department, the Federal Reserve, and the FDIC augmented FDIC protections by introducing the Bank Term Funding Program (BTFP).The program offers one-year loans to banks, savings associations, credit unions, and other eligible depository institutions.

Participants in the program, “can pledge their assets such as bonds and mortgage-backed securities at par, or the value at which they were originally issued, instead of market value, giving banks a greater borrowing capacity since bond prices have fallen” reported Karishma Vanjani of *Barron’s*.The measure makes it possible for banks to avoid selling long-dated bonds at a loss when depositors withdraw money.

Federal Reserve officials indicated the BTFP provides enough financial support to protect all of the deposits in the United States, reported Craig Torres and Christopher Condon of *Bloomberg*.

**Weekly Focus – Think About It**

“A government big enough to give you everything you want is a government big enough to take from you everything you have.”

*—Gerald Ford, 38th President of The United States of America*

Best regards,

“Your Name Here”

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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