

1st Quarter 2023 Update

The broad equity markets rallied during the 1st quarter after a very tough year in 2022. The S&P 500 was up 7.50%, the Russell 2000 (small caps) was up 2.74% and the MSCI EAFE (International index) was up 8.47%. Growth investing and the technology sector were very strong performers during the quarter, but the performance was not broad-based and was mostly driven by a few large tech companies.

	1Q23
S&P 500 (large cap)	7.50%
MSCI EAFE (International index net return)	8.47%
Russell 2000 (small cap)	2.74%

During the quarter, the Federal Reserve continued their inflation fighting campaign and raised the Fed funds rate 2 times to the 4.75%-5.00% range. These increases impacted short term rates, but yields fell on the longer part of the yield curve, and the broad bond market (represented by the Bloomberg US Aggregate index) was up 2.96%. Two large bank failures and a potential banking crisis led to significant volatility in the equity markets during March. These banking issues seem to be limited in scope, but any further issues will be monitored closely for their impact on the economy.

Inflation, higher interest rates and the potential for a recession are still among the more pressing issues for the capital markets. The lag effect of interest rate increases is still working its way through the economy, and consequently, we should expect a wider range of possible outcomes, including a recession. The likelihood of a recession has increased given the issues in the banking sector, but we have managed to avoid a major economic slowdown so far.

Yields on fixed income investments are much better than they have been in a long time and provide a nice buffer when stocks are under pressure. I will be watching to see what the Fed does with interest rates over the next several quarters and how the economy holds up in this environment.

Please reach out if you have any questions or if I can do anything for you.

Sources: Morningstar, Treasury.gov, federalreserve.gov

The performance data shown represents past performance, which is not a guarantee of future results.

Return data is as of 03/31/2023. Except as noted, index returns are total returns.