Weekly Market Commentary | February 20, 2023

The Markets

Brace for a bumpy ride.

There were some unwelcome surprises in last week's economic data that caused markets to reassess expectations for 2023. For example:

> **Inflation didn't fall as fast as expected**. Last week, the *Consumer Price Index* showed inflation rose 6.4 percent, year-over-year, in January. That was an improvement over December's pace and the seventh consecutive month of falling prices, but economists expected price increases to slow more quickly, reported Megan Cassella of *Barron's*.
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> "Look into the details, and it is easy to see that the inflation problem is not fixed. America's 'core' prices, which exclude volatile food and energy, grew at an annualized pace of 4.6% over the past three months, and have started gently accelerating. The main source of inflation is now the services sector, which is more exposed to labor costs…It is hard to see how underlying inflation can dissipate while labor markets stay so tight," reported *The Economist*.
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> **Consumer spending accelerated**. Americans were in a buying mood. Retail sales, which is a proxy for consumer spending, rose 3.0 percent in January after declining in November and December of last year, reported the *U.S. Census Bureau*. John Authers of *Bloomberg* opined:
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> "Another day, another item of evidence that the U.S. economy isn't slowing down anything like as much as many had thought. U.S. retail sales in January rose the most in almost two years, reinforcing the narrative that consumer demand remains strong."

Bullish sentiment in stock markets has been supported by the idea that inflation will continue to slow, and the Fed will be able to ease up on interest rates, reported Al Root of *Barron's*. Last week, *The Economist* suggested stock markets may be overly optimistic. "Investors are pricing stocks for a Goldilocks economy in which companies' profits grow healthily while the cost of capital falls…This is a rosy picture. Unfortunately, as we explain this week, it is probably misguided. The world's battle with inflation is far from over."

Bond markets were less sanguine. After a chorus of Fed officials took the stage to let everyone listening know the federal funds rate would likely need to move higher – and stay higher – for longer, the bond market capitulated, reported William Watts of *MarketWatch*. As expectations shifted, the yield on a six-month Treasury moved above 5 percent for the first time since 2007 and the yield on a 10-year Treasury hit a new high for the year.

Major U.S. stock indices finished the week mixed. The S&P 500 Index and Dow Jones Industrial Average moved lower, while the Nasdaq Composite Index finished slightly higher. Treasury yields rose across most maturities.

Data as of 2/17/23	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.3%	6.2%	-6.9%	6.6%	8.5%	10.3%
Dow Jones Global ex-U.S. Index	-0.5	6.2	-11.5	0.0	-0.6	1.9
10-year Treasury Note (yield only)	3.8	N/A	2.0	1.6	2.9	2.0
Gold (per ounce)	-1.4	1.2	-3.1	5.1	6.4	1.3
Bloomberg Commodity Index	-2.0	-5.6	-4.5	11.9	3.9	-2.6

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.

WHAT DO YOU VALUE MOST? The *2022 Modern Wealth Survey*, which is conducted for Charles Schwab by Logica Research, asked Americans whether personal values are more important to life decisions than they once were. The majority said yes.

"Almost three-quarters of Americans (73%) say their personal values guide how they make life decisions more today than they did two years ago, and nearly an equal number (69%) say that supporting causes they care most about are a top consideration when it comes to their financial decisions…When asked which personal values are their biggest motivators, Americans prioritize doing what's best for others, including the environment and the greater good as well as their family and friends, followed by saving more and reducing unnecessary spending."

Defining and prioritizing values takes time and can be a challenging exercise. *The Good Project*, a research initiative at the Harvard Graduate School of Education's *Project Zero*, offers an online value sorting activity. Visitors review a list of 30 values and choose 10 to begin. The list includes options like:

- Fame and success,
- Courage and risk taking,
- Creativity and originality,
- Power and influence,
- Hard work and commitment,
- Faith,
- Pursuing the common good,
- Recognition in your field, and
- Solitude and contemplation.

A majority of each generational group that participated in the *Modern Wealth Survey* agreed that values affect their investment choices: 68 percent of Baby Boomers, 73 percent of Gen X, 75 percent of Millennials, and 82 percent of Gen Z.

Overall, "When looking at the factors that influence investing decisions, a company's reputation (91%) and its corporate values (81%) are almost as important as more traditional factors like a company's performance (96%) and its stock price (93%). As personal beliefs and interests become more important, many investors (84%) are also interested in having a more personalized investment portfolio."

When you think about money and investing, what is important to you?

Weekly Focus – Think About It
"For me, I am driven by two main philosophies: know more today about the world than I knew yesterday and lessen the suffering of others. You'd be surprised how far that gets you."

—Neil deGrasse Tyson, Astrophysicist

Best regards,

Angela M. Bender

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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* This newsletter was prepared by Carson Coaching. Carson Coaching is not affiliated with the named firm or broker/dealer.
* 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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