QUARTERLY MARKET COMMENT
First Quarter 2023

ALEXANDER
FINANCIAL PLANNING

The markets proved to be more resilient in the 1st quarter of 2023 than many had predicted. Even bonds posted positive rates of return due to the surprising banking debacle, resulting in interest rates declining at the end of March. The only category experiencing a negative rate of return for the quarter was commodities. According to economists, we are technically still in a bear market (declining market greater than 20%) that began last June. Under the surface, there has been a whole lot of volatility which suggests we are not out of the woods yet. The S&P 500 was up 7.50% while the DJIA (30 industrial stocks) eked out a positive 0.93%. The largest 5 technology companies, comprising 23% of the capital-weighted S&P 500, were back in the driver's seat, pushing the index higher in Q1. A narrowing of market leadership in a handful of stocks leaves the market more vulnerable to a pullback. Time will tell. In any event, it was nice to see some positive returns for the quarter. International stocks also posted positive returns with Developed Markets outperforming Emerging Market Stocks. The best-performing sectors in Q1 were Information Technology and Communication Services, up 10.93% and 10.38% respectively. Energy was one of the worst-performing sectors last quarter, down 4.67%. It had been the best-performing sector last year.

We knew heading into 2023, that the same macro headwinds of 2022 were still with us, but time has pushed them forward. They are maturing and running their course. To combat inflation, The Federal Reserve swiftly began to raise short-term interest rates last March with 9 increases in one year. The shock of this steep rise in interest rates has begun to trickle down into the economy. When things get tight we start seeing where the cracks are. The bank failures in March are a prime example. Current thinking is that The Federal Reserve will increase interest rates by 0.25% in May and then pause. We are in a disinflation environment now as inflation has declined from its peak of 9.1% last June to 5%. A core group of economists is projecting inflation to be around 4% at year-end.

Asset Index Category	1Q 2023 %	3-Year Average %	5-Year Average %	10-Year Average %
S&P 500 Index-Large Companies	7.03	16.71	9.25	10.11
S&P 400 Index-Mid-size Companies	3.36	20.29	5.97	8.09
Russell 2000 Index-Sm Companies	2.34	16.06	3.34	6.60
US Real Estate Funds	2.31	10.47	4.87	5.26
Gold	8.11	5.93	7.14	1.31
US Commodities	-3.44	23.33	5.96	-1.12
Global Real Estate Funds	1.11	6.20	1.02	2.64
MSCI EAFE-Developed International	7.65	10.30	0.85	2.26
MSCI EM Index-Emerging Markets	3.55	5.28	-3.29	-0.44
Barclays US Aggregate Bond Index	2.96	-2.77	9.91	1.36
Long US Government Bond Index	5.33	-13.50	-3.05	-1.59
Emerging Market Bond Index	2.91	1.52	-1.64	-0.21

Bear markets are not enjoyable, but they are a normal part of the market cycle. We appear to be closer to the end than to the beginning, but this does not mean the lows of last October will not be tested before we resume an upward trend. We don't want to get too ahead of our skis, but we can't rule this out at the moment. Currently, we still have an inverted yield curve (higher short-term interest rates than long-term interest rates) which also suggests we have more rough waters to navigate. Recessions are also not pleasant, but again a normal part of the business cycle. More economists are jumping on the bandwagon that we will experience a mild recession in the second half of this year. The economy is showing signs of weakening and one result of the banking crisis in March is tighter lending by the banks. Add on the looming debt ceiling issue and we have a recipe for volatility that may have a negative impact on the markets.

The chart above shows the returns over several different time frames and the importance of focusing on the longer term. For now, we are focused on quality and monitoring the investments in your portfolios. Please let us know if you have any questions or concerns. We truly value you as our client and we are grateful for the trust you have placed in us.

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