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THE MARKET MEMO

DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

Though equities have proven resilient, more of the long-expected effects of the Federal Reserve's (the Fed's) rapid interest rate-raising policy arrived in April.

Here's the rundown:

- Economic growth slowed in the first quarter to 1.1%.
- New hiring is greatly diminished compared to last year.
- The Fed expects a recession to arrive in the third quarter.
- Inflation continues to decline, but slowly.
- Small, regional banks are facing challenges in part because depositors are moving to the high short-term yields available on government-backed Treasury bills and other types of funds.

The Fed's rate-setting committee will meet again in May, when it is expected to raise the target interest rate by 0.25 percentage points to 5.25%. Pricing suggests investors broadly believe the Fed will cut rates at some point this year. We expect the Fed will follow a "hike and hold" strategy to reduce inflation compared to the "stop and go" decisions that may have prolonged the inflation crisis in 1970.

The bottom line

The Fed's goal of reducing inflation by slowing the economy has been expected to induce a recession, though its arrival has been delayed by market and economic resilience, as well as wage growth and a tight labor market.

If April is an indication, however, we may be on track to see the third-quarter arrival estimate come to fruition. Still, despite layoffs and slowing economic growth and hiring, high wage growth remains a counterpoint.

It's easy to get lost in the daily headlines, particularly if they're negative. As has been the case through this complex, unprecedented pandemic and post-pandemic period, we will continue to look at your long-term and focus on your goals.

Thank you for your continuing trust and partnership. If you have any questions about this letter, the market, or your financial plan, please do not hesitate to reach out.

Sincerely,

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