

THE MARKET MEMO



DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

In other contexts, a string of seemingly positive economic data, including reports on jobs and retail sales, would provide a tailwind for equities. In these inflationary times, however, the specter of the Federal Reserve's (the Fed) commitment to cooling the economy via higher interest rates has made any good news suspect.

The major stock market indices reflected this tension until a key measure of inflation provided the bad-enough news needed to seemingly convince the market that the Fed will continue toward a higher interest rate regimen. Thus, February's hopes of building on January's gains ended, and the S&P 500 closed 2.61% down for the month.

In other February market and economic news:

- Tensions increased between the United States and China with balloons said to be Chinese spy aircraft floating through U.S. airspace. The United States also moved to limit China's access to advanced semiconductors.
- The U.S. economy grew 2.1% through 2022, with fourth-quarter growth at 2.7%.
- Natural gas prices in Europe hit 18-month lows, demonstrating Europe's ability to end its dependence on Russian exports. Exports from the United States and Qatar, industrial sector adaptations and the expansion of renewable energy were major contributors to this success.

The bottom line

A technical analysis of the equities markets shows characteristics of a market attempting to turn out of bear conditions. Still, inflation and the response to it will likely remain the dominant market mover, and a lack of clarity will drive volatility. Short-term, expect this uncertainty to continue, but in the long view, it's worth noting that the economy here and globally has shown remarkable resilience.

Thank you for your continuing confidence in our guidance as we work together in support of your financial goals. If you have any questions about your investments, your financial plan or the state of the market, please feel free to reach out at any time – that's why we're here.

Sincerely,

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