

THE MARKET MEMO



DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

If one were to look solely at the headlines, it may have come as a surprise to see the equity markets up for the year at the close of the first quarter.

The failure of Silicon Valley Bank for lack of liquidity in the middle of March stoked concerns of panic-induced bank runs, but quick action by federal authorities and industry actors helped contain those fears. Meanwhile, as if to ease tensions by neither causing alarm with a sudden change of tack nor seeming indifferent to events as they unfolded, the Federal Reserve (Fed) continued its program of raising interest rates, though by a measured quarter percentage point.

Overseas, Swiss authorities quickly dealt with a banking crisis of their own with the long-troubled Credit Suisse, ultimately folding the globally important bank into UBS and supporting a smooth transition that protected the bank's depositors.

The banking crisis on both sides of the Atlantic caused turmoil in the bond markets. In the U.S., that churn settled by the end of the month, suggesting confidence in the result.

The long-term impact of these events is yet to be seen. Short term, it's possible lending will tighten. This would, in effect, support the Fed's inflation-fighting strategy by slowing the economy, which could have an impact on its decision to raise rates further or pause.

At a broader look at the economy, in March:

- Consumer demand remained strong, supported by employment growth.
- Though it remains high, the inflation rate continued to slow.
- The U.S. housing market showed signs of stabilization as mortgage interest rates came down somewhat – though that may reverse in light of banking concerns.

Expect volatile conditions to continue. The scale of the complications wrought by COVID-19 and governments' response to it is hard to oversell. We've known the return to a normal economy would be bumpy with confusing data along the way. Investor uncertainty is high and swings in sentiment are bound to occur. There will be excited periods during which stocks rally and disappointed periods when they pull back.

Through this, we will continue to put your best interests first by following our disciplined, measured approach to long-term investing in service of your greater goals. Thank you for your continued trust in our advice. If you have any questions about this report, or your accounts, please reach out at your earliest convenience.

Sincerely,

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