

THE MARKET MEMO



DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

The wave of negativity that engulfed the markets last year was met with a ray of optimism in January as inflation decelerated, interest rates fell, China reopened, and earnings came in better than feared. The result: global equity markets rebounded strongly to start the year, highlighted by the S&P 500 having its second-best January over the past 25 years, the NASDAQ being up over 10%, and emerging markets technically entering a bull market by rallying 20% off of the lows.

So, you may wonder, with this good news, why are some of the largest companies in the economy laying off workers? There are several reasons:

- Fourth-quarter corporate reports, still being reported, are on pace to show a decline in earnings, the first since 2020.
- CEOs' forward-looking commentary has shown a broad concern for weakening consumer strength across most sectors of the economy.
- In 2022, companies had more leeway to raise prices. To preserve their margins, many seem to be shifting to strategies of cost cutting.
- The bond yield curve is deeply inverted, meaning short-term interest rates are higher than long-term interest rates, historically a strong indicator of an upcoming recession.
- Banks are tightening lending standards.
- Surveys of consumer demand are pointing down.

In other news, the markets are watching the U.S. debt limit debate. The nation hit its limit in January, leading the Treasury to adopt "extraordinary measures" to continue meeting obligations. As those measures exhaust, expect the debate to get hotter – the House seems primed for a fight.

And overseas, there were sighs of relief as it now appears a looming global recession may be milder than suggested by the worst-case scenario. Despite challenging indicators similar to the U.S., financial markets appeared optimistic through January.

The takeaway? Don't read too much into the S&P 500's January gains; we live in interesting times. However, it's safe to expect volatile conditions to continue, especially as recessionary concerns loom – but there are also plenty of reasons to be optimistic for the year.

Through all of these events, We will remain committed to the pursuit of your financial goals and your well-being. Thank you for your continued trust in our guidance. If you have any questions regarding this recap – or any other topic – please reach out at your earliest convenience.

Sincerely,

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