

THE MARKET MEMO



DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

The bear may have entered hibernation in June, but can we now count a bona fide bull? That may be overselling it. Equities capped off a remarkable first half of the year by continuing to gain value even as the Federal Reserve Fed) signaled that its inflation-fighting program could yield two more rate increases in 2023. But with a long-expected recession still failing to appear, investors seemed to laser focus, instead, on the possibility of a pain-free untying of 2022's post-COVID tangles.

Despite the whiplash from expecting the Fed to cut interest rates starting this year to the Fed signaling rate hikes extending into 2024, the equity markets continued to climb. A better-than-expected first quarter earnings season, decelerating inflation, growing optimism about a soft, non-recessionary landing and the excitement of AI-powered technology helped propel the recent upswing.

The S&P 500, a broad index of large domestic companies, is up nearly 15%, year-to-date. The tech-heavy NASDAQ saw its best first half of the year in four decades, rising almost 30% year-to-date.

Despite these gains, near-term caution is warranted. The recent surge in investor optimism suggests the market may be due for a pullback. Meanwhile, bond yields – primarily at the front end of the yield curve – backed up in reaction to the Fed's increased hawkishness, and the yield curve remains deeply inverted, which suggests a coming recession.

At first blush that may read as a gloomy prognosis, but it comes from an understanding that when the market sentiment is grim, opportunity lies in finding a way forward. Likewise, when the outlook seems too cheerful, it's wise to check again the looming risks.

As we continue into this hot summer, we'll see how these currents come together. In the meantime, thank you for your continued trust in us, and our commitment to your goals and your long-term financial well-being. If you have any questions about this update, your accounts, or anything at all, please reach out at your earliest convenience.

Sincerely,

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