

February 16, 2023

Good Afternoon,

Inflation data released this week show that inflation has moderated but remains higher than estimated. Inflation is proving to be a bit stickier given the details of the January CPI and PPI reports. And the underlying strength in the economy will make this even more challenging. Stickier inflation is different than rising inflation. Keep that in mind. The disinflation trend is simply proving to be slower than hoped. The likelihood of increased rates is now higher for the remainder of the year, and markets are disappointed by this news.

With the yield on the 2-Year US Treasury now over 4.5%, stock dividend yields are losing their allure. In the S&P 500 index, there are just 20 stocks that have a higher dividend yield than the yield on the 2-year Treasury. Two years ago in February 2021, there were 382 stocks in the S&P 500 with a higher dividend yield than the 2-year Treasury. These current higher Treasury yields offer competition to stocks which they haven't had in several years. This is another reason that higher interest rates present difficulties for equity markets.

The Biden administration is popping balloons like kid at a carnival game! After allowing the Chinese surveillance balloon to transverse the continental United States, the White House is now intent on shooting down any unidentified object as it enters US airspace in the West. You know what this means? Us folks in the East won't get to see any UFOs, and I'll never get to tell my grandkids about my alien abduction experience. Thanks Joe.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Hope your weekend is popping!

Wade

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