

February 23, 2023

Good Afternoon,

The last two weeks have seen the US equity market give up a good portion of the gains made from the start of the year. The market is caught between welcoming the evidence that the US economy remains on a stable footing and fearing that this resilience will provoke a stern reaction by the Fed. The comfortable embrace of the soft landing is starting to be replaced by a trickier economic forecast. To be clear, we have not entered a period of economic weakness, but we are seeing a softening of corporate profits after the pandemic stimulus driven boom.

Along with equity markets, the bond market has been flashing signals. The yield on the Ten-Year Treasury note is a benchmark indicator of the bond market's view of inflation. After peaking last October at 4.25%, it fell to 3.4% by February 1st indicating an ease in concerns about inflation. Today the yield is closer to 3.9% leading us to wonder if the bond market has changed its mind about inflation and the path of interest rates. We will be watching bond yields closely in the coming weeks and months.

Years ago, I described Vladimir Putin as a thug in the Weekly Update. As we approach the anniversary of his invasion of Ukraine, we can add war criminal, liar, and narcissist to the list. He clearly miscalculated the resolve of the Ukrainian people and how the West would unify against him. It appears Putin will be remembered for turning the world's second most powerful military into the second most powerful military in Ukraine.

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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.

Have a great week!

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