March 30, 2023

Good Afternoon,

As we approach the close of the 1st quarter (that was fast!), stocks seem to feel more comfortable with the condition of the US banking system after several bank failures in early March. The S&P 500 currently stands at a slightly higher level than before the failures were announced. And while sharply rising interest rates over the past year contributed to a crisis of confidence in the banking system, the Fed remains intent on slowing the economy. As the supply of credit (lending) to the US economy shrinks, we expect slower economic growth, and greater potential risk of recession.

In the meantime, the labor market remains tight and consumer demand is still solid. Inflation is persistent and sticky. If banking stresses persist or accelerate, that would have a deflationary effect on the economy, making rate hikes less urgent. If banking issues fade, however, the Fed would be under more pressure to increase rates to combat inflation. Based on Fed forecasts, we believe investors are facing a "higher-for-longer" interest rate environment.

It seems odd that winter finally showed up in March. As we head into April, and the crocuses are pushing up through the soil, let's hope Spring is really on its way. Remember that Saturday brings out all the April Fools. Fortunately, my wife rarely makes a fool of me. I'm more of a do-it-yourself type.

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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.

Enjoy your week,

Wade

Wade A. Sarkis, CFP®, AIF®
Managing Partner
Canandaigua Financial Group
45 Ontario Street
Canandaigua, NY 14424
(585) 396-2720