

August 2, 2023

Good Afternoon,

Stocks finished the first half of the year with solid gains, led mostly by the biggest technology companies (the so called “mega caps”). Mega caps may be carrying the market this year, but it has simply been a reversal of 2022 when they dragged the market lower. These large companies have significant influence on stock indices like the S&P 500, which is up 20.1% YTD. The equal-weighted S&P 500 index (where every stock has the same weighting) is up just 10.8%. Since the start of 2022, however, the S&P 500 is still down 4.2%.

Yesterday, rating agency Fitch downgraded the US government’s top credit rating, a move that drew an angry response from the White House and surprised investors. Fitch cited fiscal deterioration over the next three years and repeated down-to-the-wire debt ceiling negotiations that threaten the government’s ability to pay its bills. They are basically saying the US government has a spending problem. We would agree. While the downgrade is not likely to have long-lasting effects, today’s market action reflects investor concerns with both stocks and bonds selling off. When you consistently spend 30%+ more than you bring in, eventually you’ll have a problem – even if you own a money printing press.

Consumer confidence in July came in stronger than expected for the third straight month and rose to its highest level in two years (July 2021). The first read on Q2 GDP came in at a solid 2.4% growth rate. Employment data remain strong. Not surprisingly, several prominent economists have revised their thoughts about a potential recession from “imminent” to “pending”, and now, not happening. It’s kind of like those Cincinnati Reds fans who called them the worst team in baseball in May and now they lead their division. Oh, wait a minute.....

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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,

Wade

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