Friday Forethought

For week ending March 3rd 2023

Inflation, Fed Rhetoric, Rates, Earnings, Yields – Push and Shove the Market

This week, we watched treasury yields hit new heights, which served to dent investor sentiment for equity positions; which correspondingly, put downward pressure on the stock market. Traders grew more concerned that higher Federal Reserve rates would remain in place for longer, as well as, how it would affect inflation. However, corporate earnings, for the most part are holding their own, so U.S. equities reversed yesterday's loss to close higher as investors attempted to shake off the hawkish rhetoric and look to the future state of the economy. During Atlanta Federal Reserve (Fed) President Raphael Bostic's meeting today, he announced he believes the slow and steady mindset is the appropriate course of action for the central bank and is sticking with the quarter point rate hike at the March 22 meeting.

Some signs that inflation may be easing:

- The market is not gaining ground as it did late December through most of February
- Durable goods orders fell more than expected in January
- Consumers are reining in their spending on big ticket items
- Personal debt is climbing as consumers have been maintaining l ifestyles on credit as opposed to savings
- The rate-sensitive housing sector is back in a slump; the refinance index is down 74% compared to a year ago.
- Inflation has become entrenched in the brains of many corporate chieftains. Many S&P 500 companies are citing the term "inflation" on their earnings calls – to prepare shareholders for future reports

Our Take

It looks like we are in for higher rates and for longer. Currently, we are in a choppy period as central banks are winding down interest rate increase cycles and seeing what the impact those increases will have on the real economy. We see equities, as a whole, continuing to bounce around through the first half of this year; but there will be some value opportunities along the way. We anticipate a better environment for bonds and as such, fixed income opportunities are getting more attractive. For those of you with shorter time horizons and/or risk tolerances, making a 10-20% shift to fixed income, until the market stabilizes, could make sense. If you have any questions or would like additional information, please do not hesitate to contact us.

QUIN OAKS INVESTMENT GROUP of Wells Fargo Advisors

Leading Trends

S&P 500 Information Technology Sector and The S&P 500 Communication Services Sector are the leading sectors year-to-date: up 11.43% and up 10.89% respectively.

Lagging Trends

The S&P 500 Utilities Sector and The S&P 500 Health Care Sector are the lagging sectors year-to-date: down 8.32% and down 2.90% respectively.

Weekly Markets

S&P 500	3,981.35	+0.99%
NASDAQ	11,462.98	+1.67%
DJIA[1]	33,003.57	+0.83%

[1]Dow Jones Industrial Average

10-YR US Treasury	4.062%	+4.97 bps
GOLD	1,840.50	+1.63%
OIL	78.16	+1.33%

Market close 2-23-2023 to market close 3-2-2023

David Clarke
Managing Director –Investments

Kathy Sowl Chelini
First Vice President – Investment Officer

Mark Passalacqua
First Vice President – Investment Officer

Justin Pribilovics-Wade, CFP®
Financial Advisor

2 Theatre Square | Suite 210
Orinda, CA 94563

(925) 253-4307
(855) 282-1840