

Monday, March 6, 2023

Good morning:

After several weeks of equity market declines on renewed inflation concerns, stocks staged a modest recovery rally to start the month of March last week on a positive note. Materials and Industrial sectors helped the Dow gain 1.85%, while Communications Services and Technology stocks propelled the NASDAQ higher by 2.61%. These types of broad-based gains in both growth and value names shows investors are willing to commit new capital at present levels regardless of sector.

Last year at this time, we witnessed price spikes in many widely used commodities. With the prices of so many consumer goods ultimately tied to the energy prices required to produce and transport them to market, it was clear that inflation would likely continue its march higher. Now that inflation has peaked, and has been steadily declining now for nearly six months, it is worth seeing whether commodity prices deserve any credit. These sharp declines will undoubtedly help inflation rates to continue moderating: Oil -27.4%, Gasoline -7.5%, Natural Gas -40.2%, Corn -16.0%.

| Commod.     | Levels |          |        |
|-------------|--------|----------|--------|
|             | 3/3/23 | 12/30/22 | 3/3/22 |
| Oil (WTI)   | 78.16  | 80.16    | 107.69 |
| Gasoline    | 3.34   | 3.09     | 3.61   |
| Natural Gas | 2.77   | 3.52     | 4.63   |
| Gold        | 1841   | 1814     | 1930   |
| Silver      | 21.09  | 23.95    | 25.31  |
| Copper      | 8945   | 8387     | 10470  |
| Corn        | 6.10   | 6.14     | 7.26   |

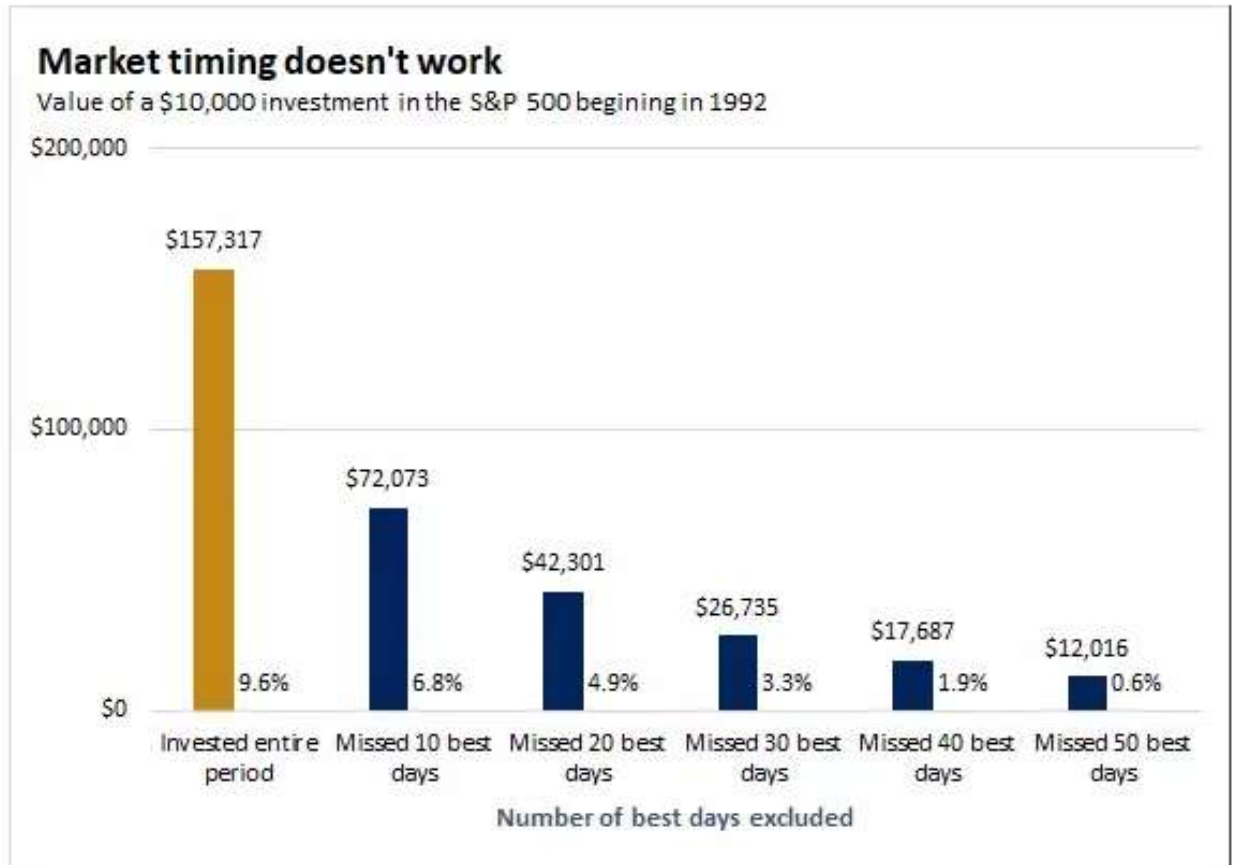
Source: J.P. Morgan Asset Management

Since inflation has a clear lag effect, these recent commodity price declines may take some time to fully reflect in consumer or producer prices. However, the underlying trend supports declining price increases, if not declining prices themselves. We believe the result will ultimately be a cessation of Fed rate hikes, along with a conclusion of downward corporate earnings forecasts.



Source: Bloomberg

The resulting debate amongst analysts and traders focuses on whether inflation continues to be stubbornly high, resulting in further Fed hikes, negative earnings growth, and a more notable recession, *or* a less severe economic outcome (soft landing) based on a resilient consumer and other factors. For most long-term investors, attempting to successfully time the market is often a fool's errand. As the chart below illustrates, by just missing the market's best 50 days since 1992, an investor would miss over 98% of the market's entire gain!



Source: FactSet

Today's positive start to the week is a continuation of last week's rebound. However, we remain cautious as we patiently await further economic data that may reveal valuable clues as to how this year may unfold.

Have a great week!

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The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

Investing in small cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor.

The companies engaged in the communications and technology industries are subject to fierce competition and their products and services may be subject to rapid obsolescence.

Market return and statistical data obtained from: [https://am.jpmorgan.com/blob-gim/1383452890099/83456/weekly\\_market\\_recap.pdf?segment=AMERICAS\\_US\\_ADV&locale=en\\_US](https://am.jpmorgan.com/blob-gim/1383452890099/83456/weekly_market_recap.pdf?segment=AMERICAS_US_ADV&locale=en_US)

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