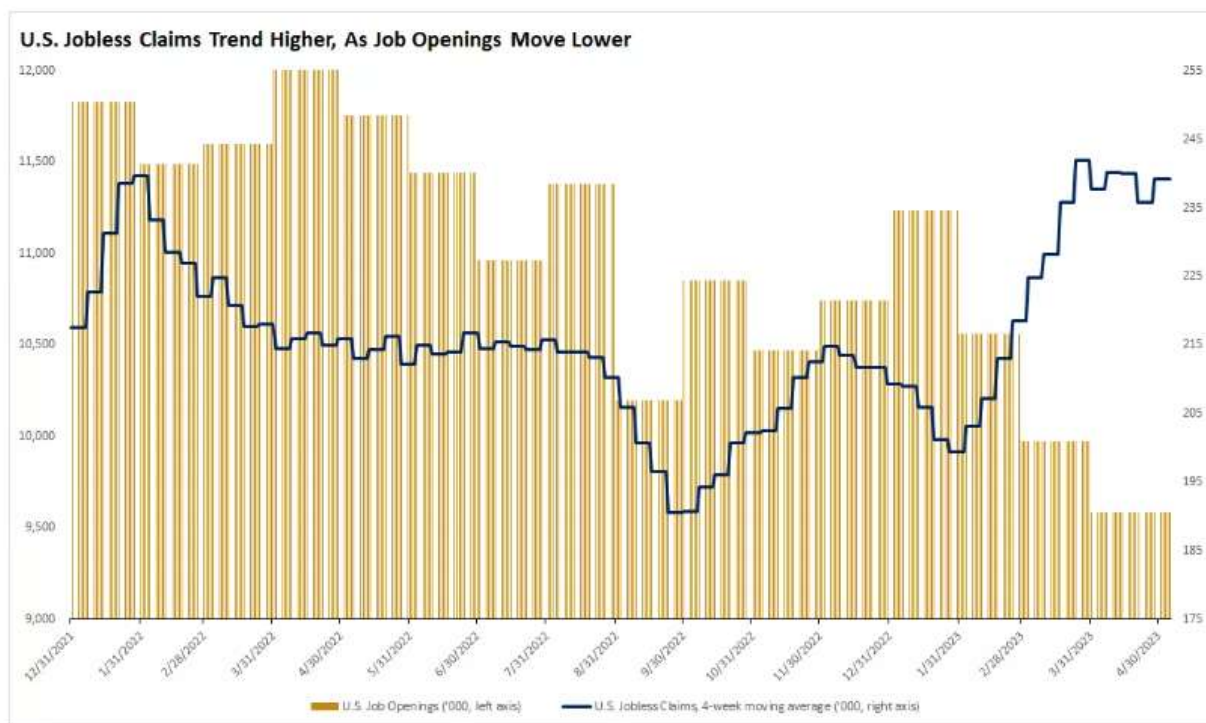


Monday, May 8, 2023

Good afternoon:

Last week the Fed completed what many expect to be the final rate hike in this long and steep tightening cycle. The 1/4% increase in the Federal Funds rate brings its current range to 5.00-5.25%, a level not seen since the summer of 2007. However, with the 5, 10, and 30-year treasury yields all in the mid-to-high 3% range, the yield curve remains highly inverted. With the Fed likely now on pause, focus will shift to the delayed consequences of higher rates on the economy.

Despite declining earnings growth and the inverted yield curve's historical accuracy for predicting a recession, some contra indicators remain. Last week's April jobs report revealed better-than-expected payroll gains, a decrease in unemployment, and an uptick in wage growth. However, economists were quick to point out that such labor statistics are lagging indicators and the most recent weekly data is already starting to weaken. The Fed currently predicts a peak unemployment rate of 4.6% in this cycle, foretelling significant job losses in the coming months.

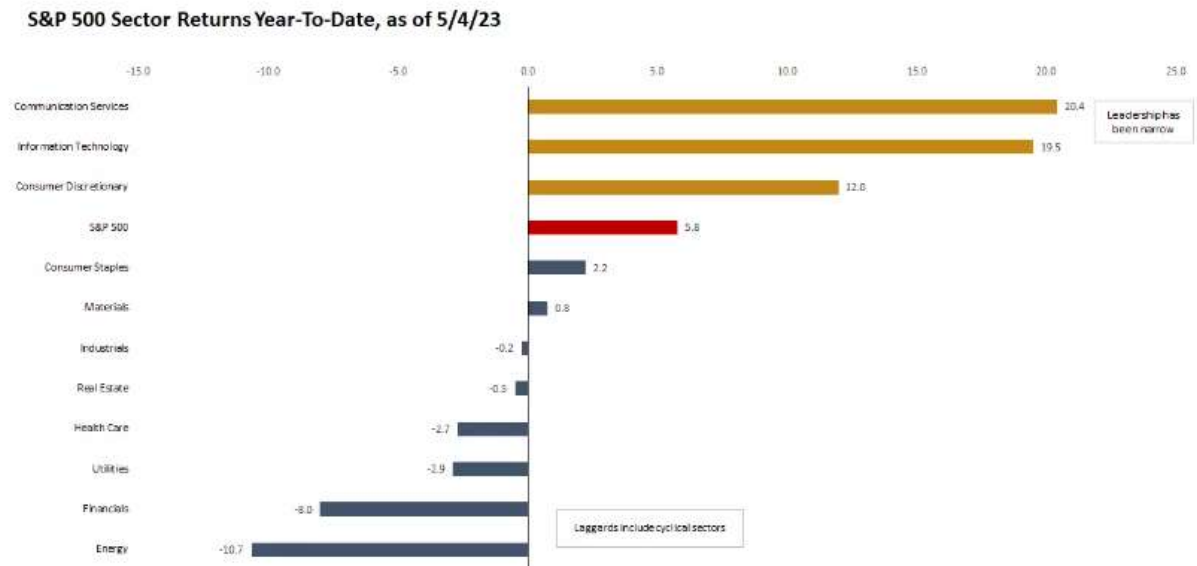


Source: Bloomberg.

Major equity averages were again troubled early last week by turmoil in the regional bank sector and the fear it will continue to spread. The positive earnings report from a major tech company was enough to buoy the market to finish the week on a strong up-note. The NASDAQ managed to finish the week just above even, while the S&P 500 was off less than 1%. Stocks are mixed this morning in fairly quiet trading.

It is important to remember that the market cycle and economic cycle are separate things, as markets tend to be forward-looking. As the economy heads towards its bottom, financial markets may start looking to a period of recovery ahead. After an extended bear-market over the past 16 months, opportunities may form in the both the equity and bond markets as the economy recovers. Historically, these periods can offer

outsized returns in the years ahead. The narrow sector leadership in this year's results will need to broaden out before it can be regarded as a new sustainable bull market.



Source: FactSet

To further provide market insight and additional perspective, we will be hosting another exclusive client webinar/conference call for clients of Loftus & Preusser Wealth Partners with Federated Hermes' Chief Equity Market Strategist, Phil Orlando, CFA on Friday, May 19th at 10:00 AM CT. Please watch for a separate email invitation with all the details regarding how to participate in the coming days.

Have a great week!

Mark and Jeff

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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.

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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

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.

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Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.