Good afternoon. I hope you and your family had a good Easter weekend. My kids (9 & 11) commented this morning that it was a “quiet Easter” and I just told them that they are getting older and it’s not as much fun when you know the Easter Bunny isn’t real. So my daughter quipped back, “I guess holidays are just boring the older you get”. I take that as a challenge to me to make sure that doesn’t happen! Maybe Clark W. Griswold can inspire me this Christmas to bring back the holiday spirit. Never too early to start planning.

The markets were closed this past Friday in observance of Good Friday but the monthly unemployment report was still released which came in largely as expected showing 236,000 jobs added and wages increased by 4.2% year over year. Earlier in the week the JOLTS (number of job openings) showed that there were less than 10 million job openings in the U.S. which is the lowest since May of 2021. Typically, the JOLTS data gives you more of a “real time” picture of where things are heading and this was a bigger decline than expected which raised some fears that things might be slowing down too much and that a Hard Landing may be in the cards. Interest rates declined in sympathy with the 10-year yield closing at its lowest level of the year to close at about 2.26% which was a fresh 2023 low (yields rallied on Friday because the bond market was open while the stock market was closed – the 10-year yield closed at 3.38%)[1].

So far this year the market has rallied on 4 main pillars[1]:

1. **A more dovish Fed – Markets are pricing in rates to DROP by ~1% by year end to 4.25%**
2. **An economic soft landing**
3. **No more fallout from bank related stress to financial markets**
4. **Stable earnings.**

For the above assumptions to hold, which is not an impossible task (the markets have successfully been threading the needle of data since the lows of October 2022), the challenge remains that due to the size and scale of the current interest rate environment – The Federal Reserve has not hiked rates at this pace in over 40 years – everything has to go just right[1]. As Tom Essaye put it recently “Inside Straights can happen, but that’s not the way to bet.” If we look at some of the economic data last week we can see that it is beginning to show a more significant slowdown – keep in mind that above 50 signals economic expansion while below 50 signals economic contraction[1]:

- **March ISM Manufacturing PMI fell to 46.3 which is the lowest level since 2009 (excluding the pandemic spike low). Yes, 14 years ago!**
- **New Orders – the most accurate leading indicator – fell to 44.3 which is a very low number**
- **March ISM Services PMI declined to 51.2 which is the lowest level since 2010 (excluding the pandemic spike low)**
- **New Orders fell to 52.2 which implies a further loss of momentum[1]**

There is some good news in these reports in that it shows pricing pressures declining to pre pandemic levels which should continue the disinflationary trend. The concern is that it may be coming too late and that the economy is now slowing and contracting to the point where a recession is inevitable. Again, that is not yet the base case and so far, stocks have been very resilient which cannot be ignored.

This week will be big with CPI being released on Wednesday. We need to see the disinflation trend reignite after losing some momentum in February & March. It's also worth mentioning that this is the beginning of Q1 2023 earnings season so the next couple of weeks will present the market with plenty of fresh data to set the short and intermediate trend. We remain very balanced with our risk allocation in our discretionary managed portfolios with high quality equities, longer duration fixed income and hedged strategies to deal with any unexpected surprises.

Have a great week.

Regards,

Tim

See Our Latest Thoughts on the Markets:
https://davis.stewardpartners.com/.6.htm

Timothy Davis, CFP®
Executive Managing Director – Wealth Manager
Partner
Davis Executive Wealth Management Group

Steward Partners Global Advisory
One International Place, Suite 3210
Boston, MA 02110
(Direct) 617-377-4418
(Office) 617-377-4422
(Toll Free) 888-371-0086
(Fax) 857-233-2966

t.davis@stewardpartners.com
http://www.davis.stewardpartners.com/

https://www.linkedin.com/company/timothy-davis-executive-wealth-management

***2019, 2020, 2021, 2022 Forbes Best-In-State Wealth Advisor**
https://www.forbes.com/profile/timothy-davis

All recognition award information can be found on Steward Partners' website at http://www.stewardpartners.com/recognition.34.html

https://www.forbes.com/best-in-state-wealth-advisors

Sources: The Sevens Report[1]

Davis Executive Wealth Management Group are Wealth Managers with Steward Partners participating in the Steward Partners Discretionary Management program. The Discretionary Management program is an investment advisory program in which the client's Wealth Manager invests the client's assets on a discretionary basis in a range of securities. The Discretionary Management program is described in the applicable Steward Partners ADV Part 2, available at https://adviserinfo.sec.gov/Firm/283004 or from your Wealth Manager.

The views expressed herein are those of the author and do not necessarily reflect the views of Steward Partners or its affiliates. All opinions are subject to change without notice. Neither the information provided nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Past performance is no guarantee of future results.

AdTrax 5617272.1 Exp 5/24