

Good morning. For those of you that follow our updates regularly, you may have noticed we have been quiet for most of the month of June. The end of Spring/beginning of Summer always marks a busy end of the travel season (closed out by catching ballgames in Allentown & Harrisburg, PA!) for my team and the end of school for my kids so I don't have as many quiet mornings to myself to opine on what is driving markets. Well, thanks for a 4:50 AM thunderstorm overnight and the smoke detectors going off shortly thereafter, I have had the last couple of hours to myself to finally put some thoughts on paper!

We are just about finished with the first half of the year and what a year it's been so far. In short, what worked last year is not working this year and vis versa. Here is where we are closing of Q2 2023 from a market standpoint:

- Growth over Value – In 2023, Growth has resumed it's leadership role driven largely by Artificial Intelligence¹ (we have multiple reports on this if you are interested please reach out to me).
- Interest Rates – Although the Fed paused in June, they have signaled that 2 more increases totaling .50% are coming by the end of the year.¹
- Unemployment – Now the Fed's biggest enemy. The unemployment rate remains below 4% which is borderline dysfunctional and is very much out of balance. This could be more of a threat to inflation than CPI. Former Chairman Bernake recently opined on this: [Bernanke-Blanchard-conference-draft_5.23.23.pdf \(brookings.edu\)](#)
- Rates – Interest rates are now above inflation for the first time in years and I personally think this may be one of the most attractive times to be invested in Fixed Income. We now have real returns in fixed income and for investors looking for tax free income, municipal bonds are worth a very close look
- Yield Curve – Probably the most concerning warning signal from the bond market. In a healthy economy, the longer the maturity of a bond, the higher the rate to compensate you for the time you are invested in that bond. In a market where the "Bond Market" is concerned about future economic growth and Fed Policy, the short-term rate (2-Year Treasury) will be higher than the long-term rate (10-Year Treasury) which is a warning that The Fed is being too aggressive and a recession will follow. Right now that inversion is 1.01% which is the highest since the early 1980's and signals a serious economic slowdown in the future. Full disclosure, the yield curve has been inverted for over a year and has been a false positive. How long that continues is anyone's guess but it can't be ignored.¹

I hope the beginning of the summer has been good for you and your family. We have had the coldest Spring since 1976 here in New England so I for one am happy to turn

the page however the rain and moderate temps are looking to continue for the beginning of July. If you would like to discuss any of the above topics or just simply catch up, please feel free to reach out to me or any member of our team at your earliest convenience. Thank you for your time and attention to this update.

Regards,

Tim

PS – We received some great news last week as I was ranked #51 on the top 200 fastest growing wealth management practices in the United States by AdvisorHub! Thank you to Michaelyn, Mike & Jimmy for making it happen every day.

[Timothy Davis, CFP® Named to the 2023 200 Fast Growing Advisors to Watch List \(prnewswire.com\)](https://prnewswire.com)

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

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***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 Report¹

Source: AdvisorHub.Com. AdvisorHub 100 Advisors to Watch (Under\$1B) ranking was developed by AdvisorHub and is based on Scope of practice measured by assets, production and level of service; Growth of practice consisting of year over year growth in assets, households and production; and lastly, Professionalism which includes regulatory record, community service and team diversity. Investment performance is not a criterion because client objectives and risk tolerances vary, and advisors rarely have audited performance reports. Rankings are based on the opinions of AdvisorHub and are not indicative of future performance or representative of any one client's experience. These 100 advisors have assembled efficient and productive teams that have achieved scale without compromising their level of service while maintaining healthy growth. Neither Steward Partners Investment Solutions, LLC nor its Wealth Managers pay a fee to AdvisorHub in exchange for the ranking. For more information, see www.AdvisorHub.com.

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