

Good morning! I hope this message finds you well. I apologize for the delay in this update, as I was away on a business trip to South Carolina which overlapped with my son's April vacation. Leaving behind the warm temperatures and sunshine was difficult, and it was made worse by a lengthy delay of over six hours on a certain airline that we all know well, whose name is a primary color. Unfortunately, air travel has become more painful than ever before. I'm not sure what the solution is but that is a discussion for another day.

Earlier this year, I discussed the Hard Landing/Soft Landing/No Landing scenarios for the stock market and economy as a whole. You can view that report [here](#). Since then, there has been conflicting data that supports all of these outcomes, but the market has viewed things through the soft/no landing lens. Where are we now? Since the beginning of the year, market performance has been all over the place. The Russell 2000, which houses most small cap stocks, has had a tough time with just above a break-even return as of 4/24/23. Meanwhile, as of the same date, the Dow Jones is up around 3%, the S&P 500 is just shy of 8%, and the Nasdaq is leading the pack with almost a 15% return. The JP Asset Allocation Index* is up 5.1% YTD. Basically, what worked last year is now lagging, and what struggled is now leading. Can this trend continue? The answer lies in earnings and economic data. We are currently in the heart of earnings season, and there will be a plethora of economic data coming our way in the coming weeks, so the tug of war between the bulls and the bears should be resolved in the next month or two.

Tom Essaye at The 7's Report recently created a great graphic to simplify things and tell us where we stand with the various "landing scenarios".

Hard Landing vs. Soft Landing Scoreboard				
	Current	One Month Ago	Three Months Ago	Hard Landing/ Soft Landing
ISM Manufacturing PMI	46.3	47.70	48.40	Hard Landing
ISM Services PMI	51.2	55.1	56.5	Soft Landing
Job Adds (Non-Farm Payrolls)	236k	326k	472k	Soft Landing
Retail Sales	\$598.59B	\$605.62B	\$589.03B	Soft Landing
NDCGXA	\$75.10B	\$75.03B	\$75.02B	Soft Landing
Jobless Claims	245k	230k	200k	Soft Landing

As you can see, there is more green than red, which is a positive sign. However, this data is constantly changing, and forecasting is like flying a plane through thick fog without instruments. One of the more popular conclusions for why this is happening is because Covid stimulus and government spending are distorting the real economy's data, which may explain why some of the information seems erratic. We will closely monitor these data points in the coming weeks and months to provide a real-time indication of where things are heading. As for our allocation,

we have made no significant changes except for rebalancing all portfolios last week. We remain balanced between offense and defense.

Thank you for taking the time to read this update. If you'd like to schedule a review of your financial plan or portfolio, please don't hesitate to contact me at your earliest convenience.

Regards,

Tim

See Our Latest Thoughts on the Markets:

<https://davis.stewardpartners.com/.6.htm>

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Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2007 to 12/31/2022. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of April 24, 2023.

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. Past performance does not guarantee future results.

For index definitions click [here](#)

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