Hi,

This week we are providing both a video & written update. For a copy of our video update, please see here: https://youtu.be/LAp8O5CzPqY

Good morning. Every now and then you come across an article that does an excellent job of articulating where we are at in today's economy and markets. Last week in February 8th's edition of the Sevens Report, Tom Essaye did just that. As Tom puts it, the market loves analogies and one of the most popular analogies of late has been will the economy experience, through the actions of the Federal Reserve's rate-hike campaign, a Hard Landing or a Soft Landing? One thing that has been rarely, if ever, mentioned is a No Landing scenario.

In a No Landing environment, the economy does not "come in for a landing" but instead stays strong with growth not meaningfully slowing. In this case:

- Job growth stays positive
- The Services economy continues to expand
- Manufacturing & housing bounces back

So what would this mean for 2023? The most important takeaway from this would be an increase in the terminal rate for the Fed Funds which would weigh on stock and bond prices. Additionally, this would just delay, but importantly, not avoid the Hard Landing vs. Soft Landing outcome. The fact is that the Fed will not stop raising rates until things moderate and slow down and right now the data is conflicting as to whether or not that is happening. Here is a great table showing the No Landing/Soft Landing/Hard Landing scenarios and outcomes. We will be watching these data points very closely to help guide our allocations and were we overweight/underweight asset classes accordingly.

The Sevens Report Market Multiples
Provided by Davis Executive Wealth Management at Steward Partners

No Landing vs. Soft Landing vs. Hard Landing							
	Goldilocks Translation	Unemployment Rate	Economic Growth	Inflation	Fed Funds	Impact on S&P 500?	What Outperforms: Value or Growth?
No Landing	Too Hot	Stays Very Low < 4%	Stays Strong	Levels Off	Year-end Fed Funds > 5.125%	Negative. "Don't Fight Fed." 3,500-4,000 in the S&P 500.	Value (higher rates weigh on growth)
Soft Landing	Just Right	Rises Modestly (4%-5%)	Slows, But Only Slightly and Not As Bad As Inflation	Keeps Declining (Core CPI < 5% in 1H '23)	Year-end Fed Funds 4.875% - 5.125%	Positive. Rally Into Mid-to-Upper 4,000s Possible in S&P 500.	Growth (falling rates, but stable growth)
Hard Landing	Too Cold	Rises Sharply > 5%	Drops Sharply, Faster Than Inflation	Falls But Not As Fast As Growth	Year-end Fed Funds < 4.875%	Very Negative. 3,300-3,800 in the S&P 500.	Value (more defensive sectors)

See Next Page for Important Disclosures

So what does this mean? Well, in a No Landing environment, stocks and interest rates would most likely be caught in an extension of what we saw in 2022 where The Fed ignores markets and is laser focused on getting inflation under control and cooling the economy no matter the cost. With the most recent Fed meeting behind us, and the accompanying statement and press conference from Chairman Powell, that is not the base case and is not priced into stocks and bonds.

This week we will be looking for more confirmation of cooling inflation with the release of tomorrow's CPI report, various manufacturing surveys, retail sales data and the chorus of Federal Reserve leaders speaking throughout the week.

Thank you for taking your time to read this update and as always, we welcome any comments or questions.

Regards,

Tim

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

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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 perfor-mance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.
The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market. The index includes a repre-sentative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.
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