

Good morning. Every now and then you run across an article that really hits home with explaining things in a very clear and concise manner. I often quote Tom Essaye in my updates (he has a daily update I subscribe to) and this morning he had a great summary of How To Explain This Market.

At the start of 2023 we had just seen some of the worst declines in the stock market since 2008 and in some pockets it reminded us of 2000. The Nasdaq was crushed and the S&P 500 had a painful decline of almost 20%. Interest rates were increasing, investor sentiment was horrible and most investors (professional and individual) thought a recession was imminent. Then something happened: the economic growth remained stronger than expected (the slowdown hasn't arrived yet), inflation declined and earnings were resilient which made stocks more underpriced than they appeared. The slowdown never happened<sup>1</sup>. That was Q1.

Q2 saw the "AI" craze hit where literally a handful of technology stocks lifted the major averages such as the Nasdaq and S&P 500. Finally, in June, the market rally really broadened out and the idea that a "soft landing" or "no landing" was going to be a reality<sup>1</sup>. Now the stock market is trading on the hope of these 3 Pillars of the Rally<sup>1</sup>:

1. No Economic Slowdown (No Landing or Soft Landing)
2. Inflation continues to drop (Consumer Price Index - CPI report due Wednesday 7/12/23)
3. Fed not hiking more than expected (1 or 2 more times)

For stocks to continue trading higher, we need to see<sup>1</sup>:

1. Interest Rates Falling (big if)
2. Economic Growth further re-accelerating
3. Increase in earnings

The last 3 are going to be a tough needle to thread. That being said, 2023 has so far brought more surprises than expected so as always, expect the unexpected.

Tomorrow I will bring you Part II of this report where we look at what risks the market now faces going forward and how we might deal with that in our asset allocation adjustments.

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](mailto: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<sup>1</sup>

*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.*

*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. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.*

*For index definitions click [here](#)*

*AdTrax 5796910.1 Exp 6/24*