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## MARKET COMMENTARY

April 1, 2023

The markets began the year on a positive note, increasing during the month of January. The prospects of higher inflation followed by an unexpected banking crisis made for a volatile quarter, with the markets ending in positive territory. The banking crisis emerged over time. In 2022, the Fed began raising interest rates rapidly to stem the inflation it created in its response to the COVID crisis. The resulting increase, decreased the value of treasury notes in banks' portfolios, deemed risk free if held to maturity. Depositors seeking higher returns than those offered in savings and checking accounts facilitated outflows on many banks that had to take massive losses in their treasuries to meet withdrawals. As most money in the banking system is loaned and not in a vault, when depositors make withdrawals, made more rapid by cell phone apps and other remote devices, a bank run is possible. The collapse of Silicon Valley Bank in California occurred in less than 48 hours.

Unexpectedly, technology stocks surged, as investors sought a safe haven away from banks, which historically attract capital during uncertain time periods. Microsoft and Apple Computer saw gains, as the market sought large innovative companies with steady earnings and strong balance sheets. The market steadied in late March after SVB, First Republic and Credit Suisse were buttressed by public and private institutions.

The Dow Jones Industrial Average closed at 33,274.15, a slight increase of 0.4% for the year. The S&P 500 ended at 4,109.31, up 7.0%. The NASDAQ increased 16.8%, resting at 12,221.91. The Bloomberg Aggregate Bond Index increased by 2.95%, year to date.

We can expect more uncertainty going forward as corporate America continues to engage in layoffs and hiring freezes. Rates for home mortgage loans have doubled since last year, as have auto loans. These two industries with their supply chains represent roughly 20% of the gross domestic product of the United States. As most Americans need loans to finance major purchases, growth will slow as the cost of capital increases. Inflation is still high, and we expect the Federal Reserve to raise rates at least one more time and hold these levels through year end. Stock ownership remains a good long term investment vehicle to keep pace with the effects of taxes and inflation.

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Vice President