Raymond Capital Advisors, LLC

April 17, 2023

Stock & Bond Benchmark Total Returns (%) For Periods Ending March 31, 2023					
	QTR	**1-Year**	**3-Years**	**5-Years**	**10-Years**
Dow Jones Industrial Average	0.93	-1.98	17.31	9.01	11.15
Standard & Poor's 500	7.50	-7.73	18.60	11.19	12.24
Bloomberg Barclays U.S. Aggregate Bond	2.96	-4.79	-2.78	0.91	1.37
60% Stocks / 40% Bonds TAA Composite Index	5.67	-6.26	9.90	7.34	8.03
3-month Treasury Bills	1.07	2.93	1.03	1.37	0.86

Returns (%) include capital gains, dividends and interest, and are **annualized** for periods greater than one year.
60% Stocks / 40% Bonds TAA Composite Index is rebalanced monthly. Sources: S&P Dow Jones Indices, Morningstar, Federal Reserve.

Market Review: Fed Hits a Speed Bump

Two more salvos of interest rate increases were fired by the Fed in its battle against inflation during Q1 2023. Although the pace of rate hikes slowed during the first quarter, the Fed has now raised interest rates nine times over the past one-year period, its fastest pace of rate hikes in 40 years.

The consequences of raising at this rapid pace began to clearly emerge in early March, which contributed to two of the largest bank failures in U.S. history. In their aftermath, the FDIC, Treasury, and the Fed worked to quickly to contain the crisis and restore confidence. However, the underlying root cause behind the crisis remains… i.e. bank deposits can flee because banks aren't paying depositors interest rates competitive with Treasurys (3-month T-Bills currently yield 5.00%). More bank failures are possible, although depositors are safe. Further, the risk of deposits quickly leaving for higher yielding Treasurys means that banks will be more hesitant to make loans, lending standards will tighten, and economic growth will notch towards recession. In one sense, this is what the Fed has wanted, i.e. slow economic growth to kill inflation (which has now declined to 5.0% year/year vs. 9.1% last June, CPI), although not necessarily the way they wanted to do it.

Another consequence of the banking crisis… With the expectation of slower economic growth, leadership shifted to favor large-cap Growth stocks, which tend to have stronger balance sheets. For the quarter, large-cap Growth gained 15.60% (Russell 1000 Growth Total Return), while small-cap Value lost 0.66% (Russell 2000 Value Total Return). **Despite the surprises and shifts, however, the major stock indices displayed remarkable resiliency, finishing Q1 2023 with a 7.50% gain (Standard & Poor's 500 Total Return Stock Index), while bonds also gained 2.96% (Bloomberg Barclays U.S. Aggregate Bond Total Return).**

Outlook: Still Some Risks, but Choppy Upward Bias

Stocks have now rebounded 16% from their October 2022 low, but are still down 14% from their January 2022 all-time high. **It's been choppy progress for the bulls, but progress nonetheless.** What are some of the risks for stocks in the coming months?

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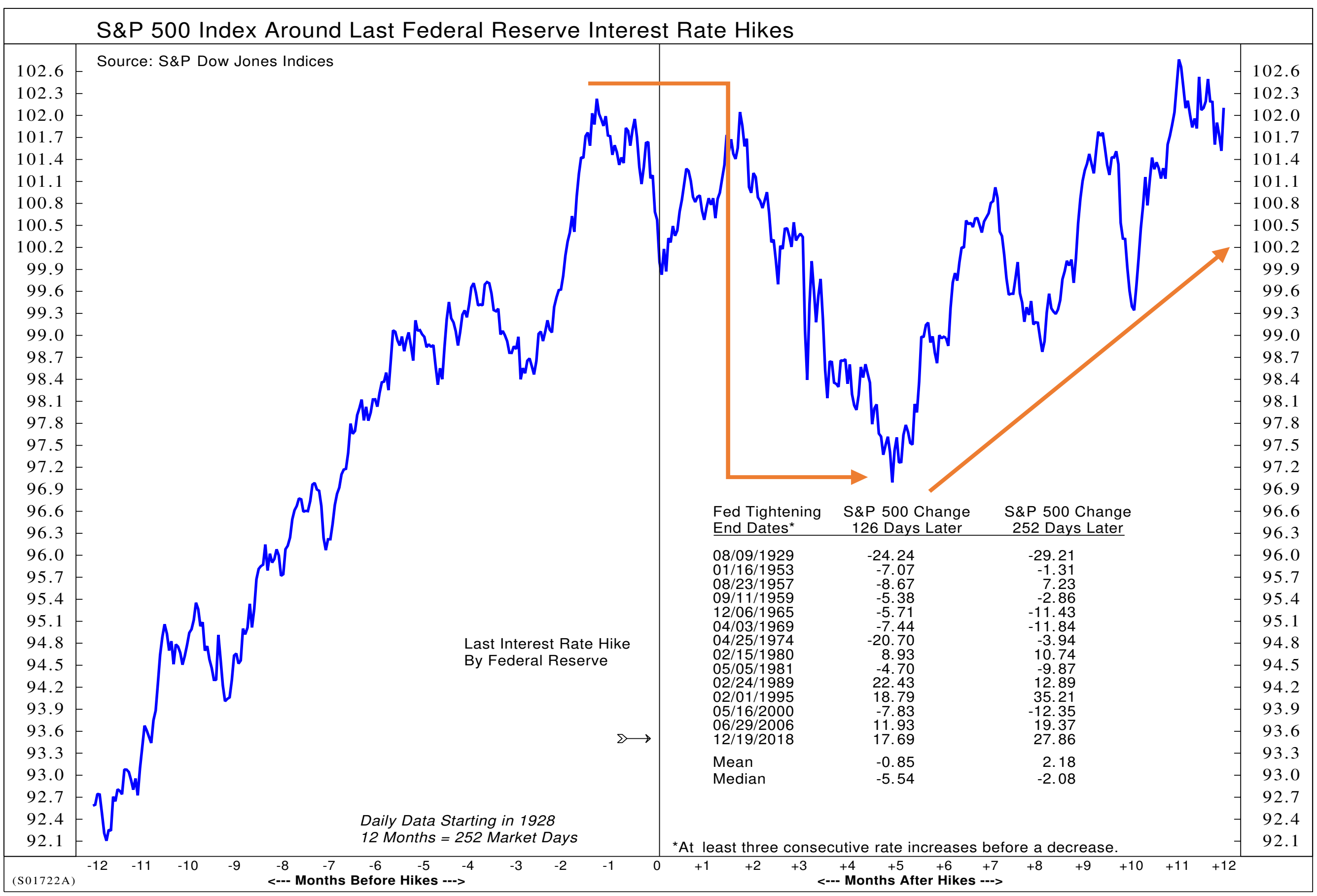
1. **Interest rates are now reasonably competitive with stocks.** 3-Month T-bills yield 5.00%, and 10-Year Treasurys' 3.42%. **This is as an underlying headwind for equities.** Another Fed rate hike of 25 basis points is currently widely expected early May, **"potentially" the last hike this cycle.**
2. **Earnings/Recession.** Earnings estimates for 2023 have declined 13% from peak their levels that were forecasted back in 2022, but are still too high by historical standards for a recession.
3. **The Debt ceiling.** Historically, an embittered debt ceiling debate has been a negative for stock prices. The 2011 debate took stock prices down 17% in 22 days.

For some historical perspective, the study below, courtesy of our friends at Ned Davis Research, Inc. shows stocks have shown some downside vulnerability in the period about 2 months before until 6 months after the Fed's final rate hike. However, stock prices have then rallied in anticipation of better times ahead. This typically occurs **before** the end of the recession.



Fed Tightening End Dates*	S&P 500 Change 126 Days Later	S&P 500 Change 252 Days Later
08/09/1929	-24.24	-29.21
01/16/1953	-7.07	-1.31
08/23/1957	-8.67	7.23
09/11/1959	-5.38	-2.86
12/06/1965	-5.71	-11.43
04/03/1969	-7.44	-11.84
04/25/1974	-20.70	-3.94
02/15/1980	8.93	10.74
05/05/1981	-4.70	-9.87
02/24/1989	22.43	12.89
02/01/1995	18.79	35.21
05/16/2000	-7.83	-12.35
06/29/2006	11.93	19.37
12/19/2018	17.69	27.86
Mean	-0.85	2.18
Median	-5.54	-2.08

In all, risks remain for stock prices, but to some extent such risks have also been well-telegraphed and may already be priced in. From a longer-term perspective, one might even view stock price weakness as buying opportunities depending if one is well-funded for their retirement and their ability to tolerate volatility. **Anyways, two steps forward and one step back as the dance continues.**

The RCA Tactical Asset Allocation strategy remains at 60% stocks, including small Exchange Traded Funds (ETFs) allocations to Europe, US mid-caps and US small-cap Value and 40% in bond ETFs, 45% of which are inflation-protected.

As always, please feel free to contact us whenever you have investment and retirement planning needs. **Our retirement planning services are free of charge to our clients with assets under our management.** Thank you for your continuing support!

All the best,

Geoff & Lance

Raymond Capital Advisors, LLC
A Retirement Wealth Advisor