

April 2023 Takeaways

- *Stubborn inflation continues to weigh on investors, as interest rate and recession fears remain high.* Just for good measure, the folks in Washington continue to engage in brinksmanship over the debt ceiling, which must be resolved shortly or else the U.S. defaults on its debt. It is unlikely, but you never know!
- *My late father-in-law, who was a smart man and successful business owner, always told me “The easiest way to save money is don’t spend it.” Especially if you don’t have it (okay, I threw that one in).* The point is that we can’t keep digging ourselves into a deeper hole by printing money and dropping it out of helicopters on people. Anyone remember Germany in 1923? Try Googling “Notgeld” for an interesting read.
- *On a positive note equity prices, while still volatile, have mostly stayed in positive territory so far this year. Most of the strength has been in larger growth companies, which suffered the most in 2022.* We still believe small caps look attractive from a valuation standpoint, but the markets often tend to ignore value, which is often a mistake.
- *During times like these it is tempting, if not common, for investors and even their advisors to make short-term tactical errors instead of focusing on long-term strategy.* We try to invest in things that don’t confuse us on a daily basis, even if the markets are often confusing. We don’t pretend to be smarter than the average “bear,” nor are we full of “bull.” We are value investors because it’s hard to fudge hard facts like earnings and interest rates.
- *Facts are stubborn. They don’t change with the prevailing trends and fads.* What are some of those fads? Lately, the one I hear advertised the most is physical gold, which always tends to spike when things get dicey. There is nothing intrinsically wrong with this asset class, but if you do a little research (which I have) you would know that going back to the Great Recession in 2008, an investment in GLD (the gold ETF) or the S&P 500 index (without dividends) would essentially have produced the same results, only the S&P would have been more of a straight line.
- *To sum up, the economy and markets remain uncertain. Stocks and the economy continue to plod along. There is still a good chance of a recession down the road, but then we should move into a new bull market.* In the next missive, I will share some thoughts on fixed income investing, which has largely been a wasteland for the past 15 years, but now offers some opportunities for income oriented investors. It all depends on your time horizon and investment objectives. There is no one size fits all to investing and we work to find the mix that works for you. That lets you make informed decisions. Stay tuned!

- *Disclosures:*

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