

July 12, 2023

- *Equities cruised into the end of the quarter with healthy gains, all indexes showed positive returns, although the mega cap tech stocks still outpaced the rest of the field.* If the market were an ocean liner, big tech would definitely be in first-class. Everyone else can be located on the lower decks or in steerage. But they are all on the same boat.
- *The optimists in the room hope the second half of the year brings smooth sailing, and obviously so do we.* A wise man once told me that the “sea of life is not all sunny days and stary nights.” You must always be prepared for stormy weather. We battened down the hatches going into 2022 and have been cautiously optimistic recently to the point where we are willing to test the waters with available cash.
- *There are still plenty of challenges facing investors, but that is nothing new. The list continues to include inflation (moderating), interest rates (on hold for now), bulls versus bears (always ongoing) and the recession question.* This last one continues to make me scratch my head and is the subject of a titanic debate in the pundit class.
- *One the one hand, many economists argue that the Fed, though late to the party, is getting inflation under control with its aggressive tightening program.* This viewpoint is supported by continued modest GDP growth and the employment situation as well as the downward slope of the rate of inflation. While the Fed is belatedly addressing the challenges of inflationary pressures, better late than never.
- *On the other hand, we still have the fiscal and monetary conservative economists, who make an equally strong case that irresponsible fiscal policy leads us into a dark place.* I also see the logic in this line of thought and one reason I lean slightly in this direction is that our recession predictor continues to signal foul weather ahead. It has never been wrong in 50 years, but there is a first time for everything.
- *And so, this is where we find ourselves presently. In the absence of the legendary one-handed economist, we must continue to monitor and evaluate the data as it presents itself.* The good news is that market participation is broadening, letting some of those below decks partake in the profits. The bad news is that the stocks in first class are getting a little heavy on the valuation front. The question on most people’s minds is are we in for smooth sailing or is there an iceberg, dead ahead?! Stay tuned...

- *Disclosures:*

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