Q1

2023

QUARTERLY MARKET UPDATE

The first quarter of 2023 was a welcome relief for almost all beleaguered investors. Both the bond markets and the equity markets continued the recovery which started late in Q4 of 2022. It was not without some drama, however, as the second largest bank failure in history threatened to rain on this recovery parade. Silicon Valley Bank (SVB) was shut down by regulators followed by Signature Bank in New York. Despite these failures, the likes of which we haven't seen since Washington Mutual went under in 2008, the markets persevered.

The S&P 500 Index, the broadest stock market index, ended the quarter up 7.5%, while technology stocks bounced back from their devastating performance in 2022 to recover 20.8% for the quarter. Financials got beaten up and were down 5.6%. This is understandable considering the SVB and Signature failures and the fear of further bank runs and failures. European stocks were the darlings of the quarter for equities with European names up 9.9% for the period.

Bonds recovered nicely as well, this was due to the cooling of inflation numbers and the anticipation that the Federal Reserve bank was nearing the end of its interest raising cycle. The February CPI read was 4.9%, while this remains historically high, it is a far cry from the 9% plus numbers we had seen in the CPI last year. Investors saw their bonds and bond funds recover some of the losses from last year as a result. The Bloomberg U.S. Aggregate Bond Index had a total return of 3% for the quarter.

The major concern for the economy and markets and what seems to be in the forefront of everyone's mind is sliding into a recession. There has been talk about a recession for some time, however, the fears have not yet been realized as economic growth has remained robust despite the massive interest rate increase, we have seen from the Fed. There is much speculation about why the economy and the jobs market have been so resilient, however this may be coming to an end as recent data has suggested that there is slowing activity in both the manufacturing and services sector. Employment data has been unwavering, although these numbers typically lag the economic data.

Last year we had our clients protected pretty well from the rising interest rate environments through the use of low duration bonds which are more insulated against rising interest rates. Now as the tide of rising interest rates subsides and speculation that early next year the Fed will begin to cut interest rates, we transition our clients into longer duration fixed income instruments. We also recognize that the sell-off in the tech sector and other vulnerable market segments present buying opportunities and have been doing some buying here for clients with some risk appetite.

As always, thank you for allowing High Peaks Asset Management to service your investment needs and feel free to contact our office to set up a portfolio review or simply discuss your portfolio and address any questions you may have. Happy Spring!!

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Q2

2023

HIGH PEAKS
ASSET MANAGEMENT

QUARTERLY MARKET UPDATE

The 2nd quarter saw markets shake off the uncertainty surrounding the regional banking crisis which marked the end of the first quarter. Despite contagion concerns at the beginning of the quarter the equity markets rallied in June to finish with the S&P 500 index, the largest and broadest equity market index, up 10.32% for the quarter and to 14-month highs.

The S&P index closed the quarter up 16.89% for the year, partially due to the easing inflation numbers and the resolution to the debt ceiling crisis which threatened the entirety of the financial landscape. S&P performance was disproportionately propelled by the rebound of the Tech sector with big names such as Amazon, Apple, and Meta largely responsible for the out performance. The Dow Jones Industrial Average was up 5.28% for the quarter and 4.94% for the year while the NASDAQ was up 17.33% on the quarter and 39.35% for the year.

We cycled our investors into more growth-oriented positions last year when the growth sector was under pressure, and it has worked out well. Now that we have seen the anticipated recovery play out, we will look to cycle back into value names, as the rapid recovery in tech may be overplayed a bit. We have also employed buffered strategies which allow for investment in the equity markets with a measure of protection to the downside, we will continue to implement these thoughtful approaches as we go into the 3rd quarter.

The bond side of things has been much less eventful for the quarter and the year. With the incredibly fast rise in interest rates as a result of the Federal Reserve's monetary response to rapidly rising inflation, we had anticipated a rally in bonds this year and interest rates normalized. We've seen a marginal amount of normalization this year with the Barclay's US Aggregate Bond Index up 2.09%, but foresee interest rates coming down much more, perhaps in the latter half of this year, but most likely early next year. We continue to position our clients to take advantage of this interest rate normalization.

As always, please feel free to reach out to our office if you'd like an up-to-date account statement or with any questions or concerns. Happy Summer!

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Q3
2023

QUARTERLY MARKET UPDATE

The third quarter of the year started out much like the first half of the year, with stocks continuing their upward trajectory and bond yields moving lower. It seemed like the recovery from the rout in stock and bonds experienced in 2022 would continue through the end of the year. However, the winds shifted due largely to rising fuel prices, a threatened government shutdown, union strikes and a Federal Reserve Bank (Fed) which reiterated their "higher for longer" stance.

These factors caused the stock market and bond yields to reverse course and caused the Standard and Poor's 500 index to lose all of its quarterly gains and end the quarter down 3.7%. The Dow Jones Industrial Index closed the quarter down 2.6% while the NASDAQ lost 4.1% for the quarter. It seems the largest factor controlling public sentiment and thereby the stock market is the Fed's stance on interest rates.

The while core inflation numbers (excluding food and energy) remain on a disinflationary trend the Fed remains stubborn on its interest rate plans to keep interest rates higher for a prolonged time and have predicted only a .5% cut in interest rates for 2024. This interest rate stance is bad for stocks in that it raises interest rates, making them a more attractive asset class and pulling investment from stocks, driving stock prices down.

The conversation is much the same on the bond side of things. The benchmark 10-year treasury rose .90% over the quarter driving bond prices down, as we know bond prices move lower as bond yield move higher. Bond mutual funds which had seen a modest recovery in the first half of the year, after their rout in 2022, lost that recovery and then some as yields moved markedly higher over the quarter.

The Fed has dominated public sentiment on stocks and has driven bond prices lower, we anticipate that the Fed will ease its policy stance and that both bonds and stocks will recover as we ease into a more normalized Fed policy environment. We continue to look for opportunities in the markets as the markets return to investing based on fundamentals and valuations.

Please do not hesitate to contact or office with any questions or concerns or to request a current consolidated statement of your investment portfolio. We appreciate your trust in High Peaks Asset Management as we continue to navigate our clients through these uncertain times. Thank you.

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