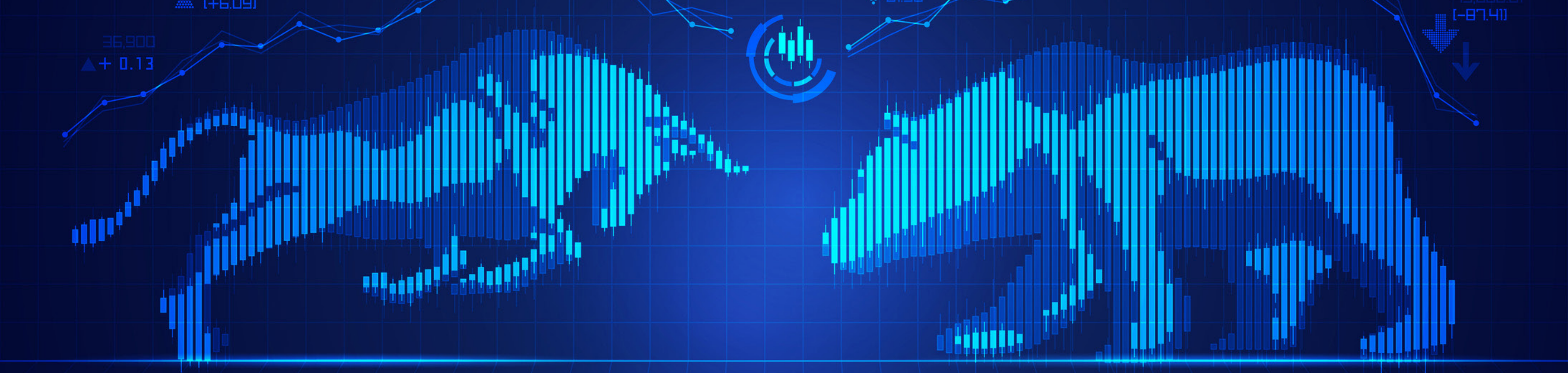
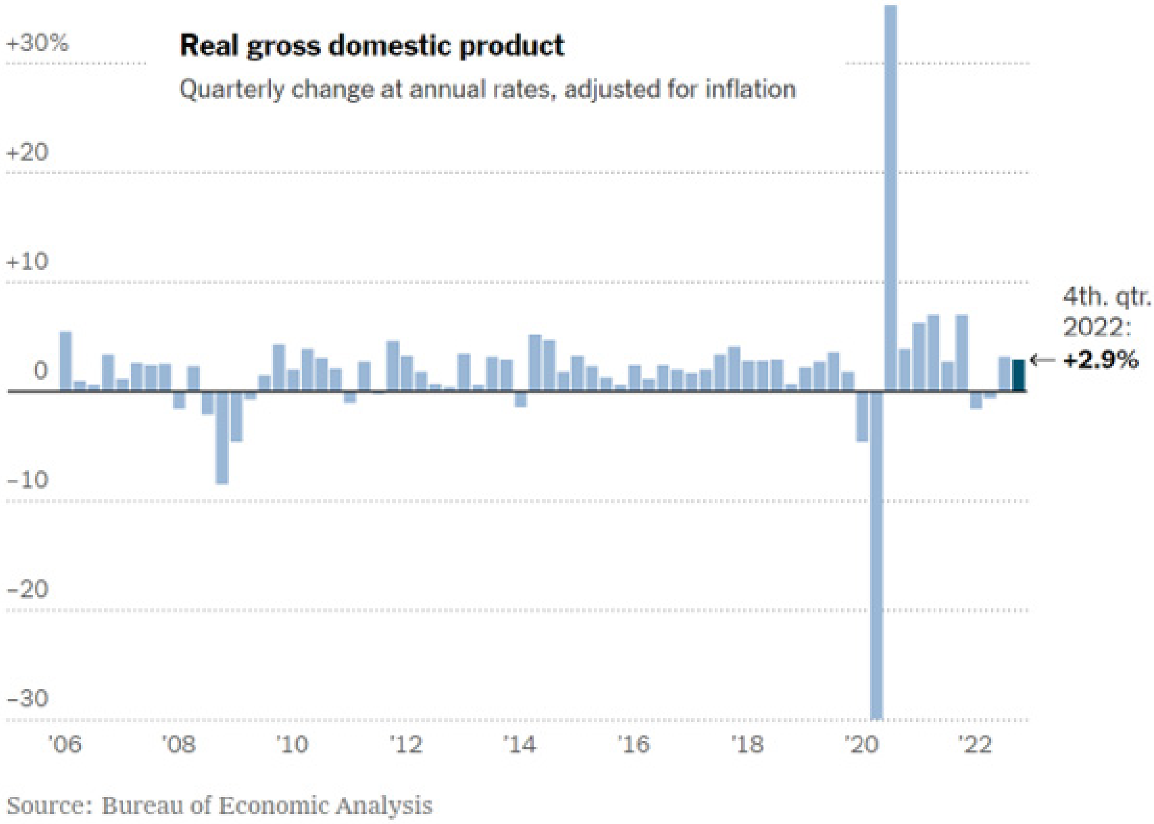


# Capital Market Review
## First Quarter 2023

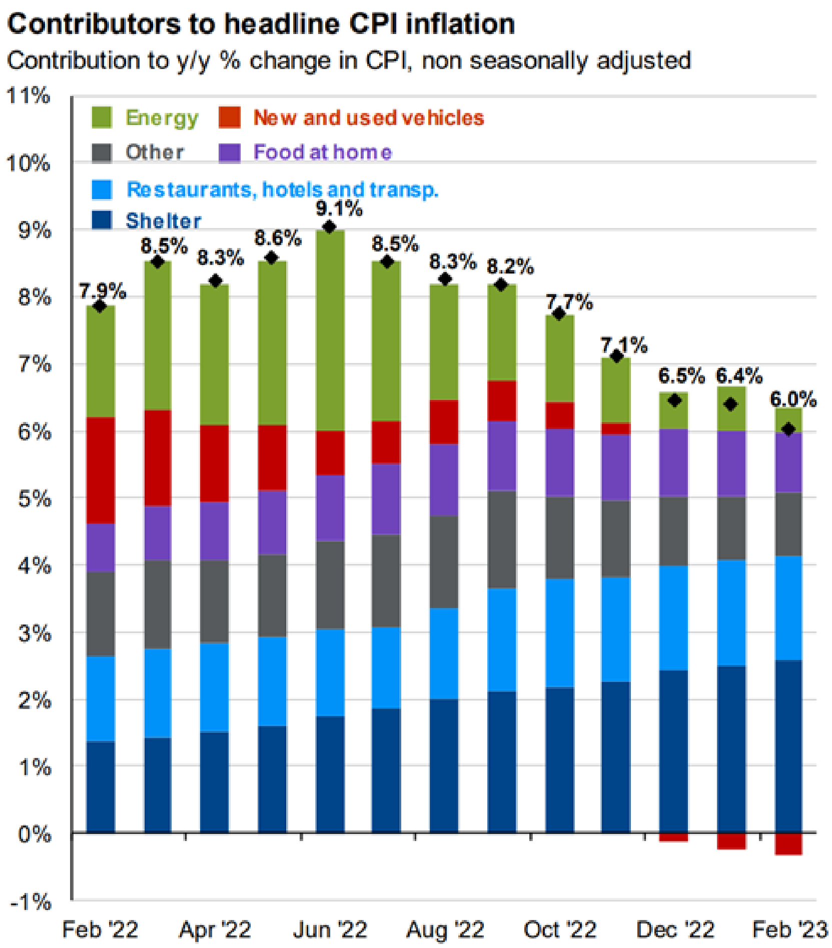
*By: Jim Rambo, CFA*

## *Gross Domestic Product*



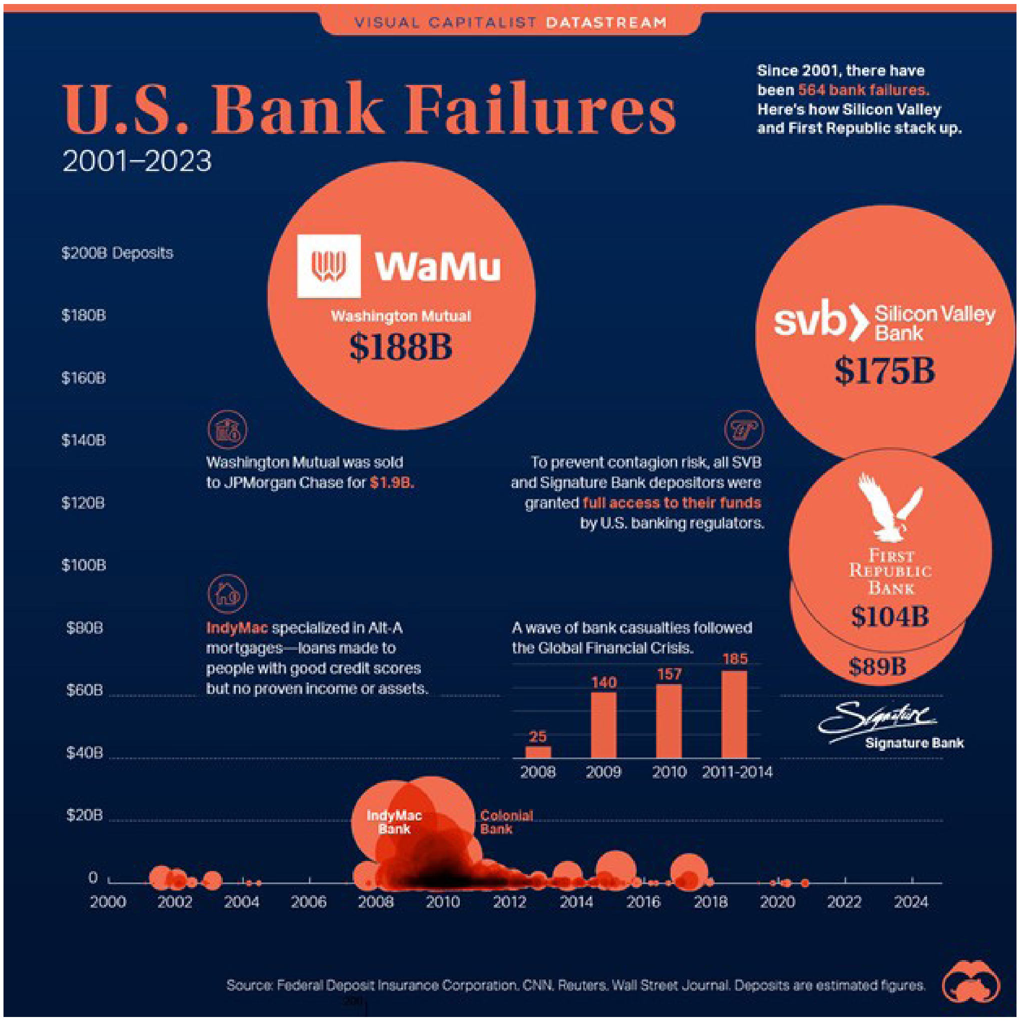

***Source:*** *G.D.P. Report: U.S. Economy Records Solid Growth - The New York Times (nytimes.com)*

Markets began the year optimistically, with inflation trending lower for six consecutive months, closing 2022. A higher-than-expected 2.9% GDP January report, coupled with strong employment data, lifted equities across the board. The sectors that suffered the worst in 2022, such as Technology, Travel & Autos, rallied the most to begin the year.




*Source: JPMorgan Asset Management, Market Insights: On the Bench, U.S. | 2Q 2023, As of March 31, 2023, Page 21.*

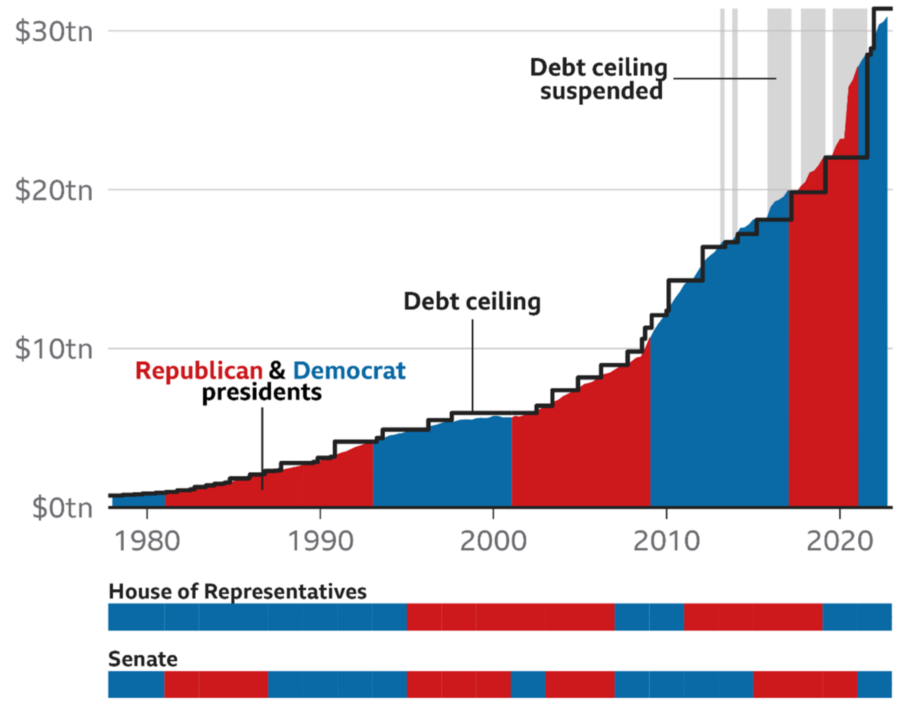
A hotter-than-expected 6.4% January inflation print quickly dampened investor optimism in February. The fear is that the stubbornly elevated inflation that prompted aggressive Fed rate hikes would push rates even higher. After a +3.1% January, the Bloomberg US Agg Bond Index retreated -2.6% in February, underscoring the market's short-term focus on the Federal Reserve's rate hike plans. March's lower 6.0% inflation publication put the downward trajectory back on track, and the Bloomberg US Agg Bond index rallied +2.5%.




*Source: [The Largest U.S. Bank Failures in Modern History]*

Investors' focus shifted to the banking industry in March. Silicon Valley Bank's (SVB) collapse marked the largest bank failure since the Global Financial Crisis. First Republic Bank, Signature Bank, and then Credit Suisse failed shortly after spooking fears of a bank run and potential crisis. The cause of SVB's failure was due to a large portion of their client base being struggling tech companies, poor risk management, and rising interest rates causing a perfect storm of negative factors. While the banking sector faces economic headwinds, customer deposits are safe and insured by the FDIC up to $250,000 per depositor.

## US debt has risen regardless of administration




Sources: National Archives, Federal Reserve Economic Data, BBC research BBC

*Source: [What happens now the US has hit the debt ceiling? - BBC News]*

Despite robust economic data and inflation continuing to fall, politics dominated the economic headlines in April. U.S. and International stocks rose, including the financial sector. But the looming debt-ceiling standoff jeopardizes Social Security, Medicare, Federal salaries, and interest payments on the national debt. Since 1960, congress has acted when called upon to raise the limit 78 separate times.



05/2023