

April 28, 2023

Good Afternoon,

What started as a down week for stocks turned positive with sharp rallies in all the major stock indices on Thursday. It was an impressive turnaround after a steep selloff on Wednesday. What triggered the rally and change of direction for stocks? Some strong earnings, especially from big-tech firms, and economic data confirming the US economy is slowing. The latter seems counter intuitive – and it is. On Thursday morning, GDP in Q1 2023 for the US was reported at 1.1% rather than the expectation of 2%. While the economy is still growing, growth is slower than expected.

If you think of the US economy as long freight train, the train is still moving forward but at a slower pace than prior quarters. By raising interest rates and making borrowing more expensive, the Fed is successfully applying the brakes to slow the big train. The lower GDP reading shows that the Fed's policy is working and that we are likely near the end of the rate raising cycle. Markets like the idea that the Fed is just about done raising rates. The Fed does meet again next week, and we believe they will hike rates one more quarter percentage point and then pause. They've slowed the train, and now we must see if they can avoid sending it into reverse – a recession.

I know you've been waiting for a Cincinnati Reds update – and I have great news. The Reds won their 10th game of the year on April 26th. Last year they didn't win their 10th game until May 22nd. That is an amazing improvement! However, they are still near the bottom of the National League – and they still stink. How long until the Bills start playing?

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Enjoy your weekend,

Wade

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