JUNE 30, 2023
ECONOMIC UPDATE

LANDMARK WEALTH MANAGEMENT

FINANCIAL MARKET UPDATE

Equities led the way in the 2nd quarter, particularly US Equities, as the technology sector fueled gains for headline indexes. After struggling for direction through mid-May, stocks pushed higher into the end of June. Through June 30, 75% of the S&P 500's return could be attributed to seven companies in the technology sector. Meanwhile, 40% of the sectors in the S&P 500 remained flat or negative on the year.

The economy has given mixed signals making forecasting difficult. Through the first six months of 2023, resiliency has been the theme for the labor market and economic growth. The impact of the Federal Reserve's interest rate hikes is beginning to show up in areas such as Commercial Real Estate and some indicators. The next six months will bring more clarity on whether the economy will experience a slowing of growth or tip into a recession. We expect opportunities in both Fixed Income and Equities over the coming months.

Asset Class	Q2 2023
US Large Cap	8.7%
US Mid Cap	4.9%
US Small Cap	3.4%
Developed International	3.0%
Real Estate	2.3%
Emerging Markets	0.9%
Equity Alternatives	0.6%
Multisector Bonds	0.5%
Infrastructure	-0.4%
US Core Bonds	-0.8%

An index is a hypothetical portfolio of securities representing a particular market or a segment of it used as indicator of the change in the securities market. Indexes are unmanaged, do not incur fees and expenses and cannot be invested in directly

INTEREST RATES, INFLATION, AND BANKS

The Federal Reserve raised rates by 0.25% at their May meeting before holding steady in June – the first pause in action since March 2022. The current range of the Federal Funds Rate is 5.00% to 5.25%. Although we could see more rate hikes (potentially in July), the Fed is being cautious with future policy moves and is near the end of its hiking cycle.

Inflation has moderated month by month. June's reading saw year-over-year prices (as measured by the Consumer Price Index) slow to 3.0%. The Fed's preferred range is 2.0% - 3.0%. Although the rate is one-third of where it was in June 2022, the Fed would like to see more progress on 'stickier' areas such as rental costs. There is a concern at the central bank that we could see progress on inflation slow and become range bound after such rapid progress.

Fears regarding the banking sector abated in early May when JP Morgan agreed to take on First Republic Bank – one of the remaining troubled institutions stemming from the March banking issues.

EMPLOYMENT

June's job gain of 209k was the first jobs report in a year that came in below expectations. Additionally, revisions downward to the prior two months meant that the 3-month average for jobs added was 247k. The labor market is holding up, but there are signs of slowing which is what the Federal Reserve wants to achieve. Wage growth continues to rise higher than expected, which is the opposite of what the Fed wants to see.

US ECONOMY

Economic growth has remained resilient and puzzled forecasters who have continued to push back their projections for a slowdown. Most prognosticators now expect slowing growth or a mild recession in late 2023 or early 2024. The data does not currently reflect this, with 1st quarter growth coming in at 2.0% and early-tracking of 2nd quarter growth at 2.3%. A slowdown may materialize over the next 12 months given the cumulative impact of interest rate increases.

IN FOCUS FOR 2023

The first six months of 2023 have proven eventful as we have weathered (1) debt ceiling gridlock and (2) issues in the banking sector, while seeing Equity markets move out of bear market territory. As we reach the midway point of the year the focus now turns to how much tightening remains for the Federal Reserve and to what degree will higher interest rates lead to an economic slowdown.