Another good quarter for stocks. The Federal Reserve didn’t raise interest rates; however, it looks like they won’t lower them until later in the year. Although inflation is coming down, it’s still above the Fed’s 2% target and consumer prices remain high; gas prices are creeping up and housing prices remain elevated. In spite of these interest rate related issues, the stock market continued to move up, in fact, it may be overbought. Growth stocks, in particular, the “magnificent seven (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Telsa) have experienced sharp gains largely driven by enthusiasm related to the potential benefit of artificial intelligence (AI). Employment numbers have been strong resulting from in increase in the labor participation rate. A good chunk of the labor increase has been in the government sector not in the productivity arena.

The international situation, particularly Ukraine and Israel, presents many concerns. In other regions, recent trends continued. China is experiencing slower growth while European markets have had mixed results; in general, lower consumer demand presents a growth challenge.

Last quarter we mentioned Artificial Intelligence (AI). Not too much news on that front. It will work it’s way into the economy over time. Established stocks should continue to do well. Others will come and go.

As noted, the numbers for stocks were good in the first quarter; bonds were down slightly. The DJIA was up +6.1%, the S&P 500 was up +10.6% and the NASDAQ was up +9.1%. The Bloomberg Aggregate Bond Index was down -0.8%. On balance, growth stocks performed better than value stocks. Internationally, Latin America and China both slumped. The later is a concern because China is a major trading partner with the U.S.

First quarter and full year results are detailed below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **QUARTER Ending** **3/31/2023** | **12 MONTHS Ending****3/31/2023** | **THREE YEARS Ending** **3/31/2023** | **FIVE YEARS Ending** **3/31/2023** |
| **DJIA** | 6.1% | 22.2% | 8.7% | 11.3% |
| **S & P 500** | 10.6% | 30.0% | 11.5% | 15.1% |
| **NASDAQ Composite** | 9.1% | 34.0% | 7.3% | 16.2% |
| **Bloomberg Agg. Bond** | -0.8% | 1.7% | -2.5% | 0.4% |
| *Mutual Funds* |  |  |  |  |
| Domestic |  |  |  |  |
|  *Large Cap* |  |  |  |  |
|  Growth | 11.9% | 36.5% | 8.0% | 14.9% |
|  Value | 8.9% | 20.7% | 8.9% | 10.9% |
|  *Small Cap* |  |  |  |  |
|  Growth | 7.6% | 18.2% | -1.9% | 9.1% |
|  Value | 4.7% | 20.2% | 5.9% | 10.2% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| International |  |  |  |  |
|  Europe  | 6.1% | 14.3% | 5.0% | 7.9% |
|  Latin America | -3.7% | 26.3% | 6.8% | 2.9% |
|  Japan  | 10.9% | 26.5% | 5.1% | 8.1% |
|  Pacific ex Japan  | 2.1% | 2.0% | -7.3% | 2.2% |
|  China  | -3.1% | -18.5% | -17.3% | -3.3% |
|  India  | 4.1% | 34.6% | 10.7% |  9.9% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **QUARTER Ending** **3/31/2023** | **12 MONTHS Ending****3/31/2023** | **THREE YEARS Ending****3/31/2023** | **FIVE YEARS Ending** **3/31/2023** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Corporate Bond |  |  |  |  |
|  Long | -1.3% | 2.2% | -4.4% | 0.5% |
|  Intermediate |  -0.5% | 2.1% | -2.4% | 0.4% |
|  Short |  0.9% | 4.9% | 0.5% | 1.7% |
| Government Bond |  |  |  |  |
|  Long  | -3.1% | -6.2% | -8.5% | -3.1% |
|  Intermediate | -0.9 % | 0.6% | -2.8% | 0.3% |
|  Short | 0.4% | 3.0% | -0.5% | 0.8% |
| Municipal Bond |  |  |  |  |
|  Long  | 0.2% | 4.2% | -1.0% | 1.3% |
|  Intermediate | 0.1% | 3.3% | -0.4% | 1.4% |
|  Short | 0.3% | 2.7% | 0.5% | 1.1% |

**Market Outlook**

There is a lot going on. This is an election year. Also, the international situation and our own border problems are major issues. But, with the prospect of lower interest rates along with and the continuing economic growth with a low unemployment rate, we are a bit more optimistic. Therefore, for those significantly below equity targets, we recommend some increases in stock holdings.

**MSM FINANCIAL STRATEGIES**

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