

Q1 2023 Newsletter

Economy & Market Valuation

The US stock market as measured by the S&P 500 went up by 7.6 % in Q1 2023. One of the factors behind the rapid rise is the stock market's expectation that the Federal reserve is near the end of its interest rate hiking cycle. The stock market is expecting that the Federal Reserve will pause raising interest rates soon and will start cutting interest rates towards the end of the year. The Federal Reserve is hinting that they will raise interest rates one more time by 0.25% and then pause. In any case, whether the Federal Reserve will raise interest rates by another 0.25% or pause at its May meeting, we are close to the end of the hiking cycle. The Federal Reserve may pause to see the impact of its interest rate hikes on inflation and the US economy. Interest rate hikes take time to work through the US economy to slow it down and bring inflation down. Inflation has been coming down, but at a very slow pace. The US also saw bank failures triggered by high interest rates. For now, the impact of bank failures appears to be contained and is not spreading to the broader US economy. The US economy is still expected to grow in 1H'23 with no signs of a recession in the near term. It is expected to slow down in 2H'23. The extent of the slowdown is to be seen.

2023 investment strategy

We have further reduced the percentage of cash in our portfolio and increased the percentage allocation to quality companies. We

are still sticking to quality companies. As we mentioned earlier, we increased our position in AMZN and META when the stock prices of these companies had dropped. These stocks are now way above the cost at which we added them to our portfolio. We are holding them right now and will decide at an appropriate time on when to trim them. We have increased our exposure to semiconductor and technology companies.

We are keeping an eye on the US economy and inflation. Our philosophy is to invest in quality companies and keep them for the long term.