Market Review Commentary

April 2023

MIXED DATA CONTINUES TO COMPLICATE RATE PATH

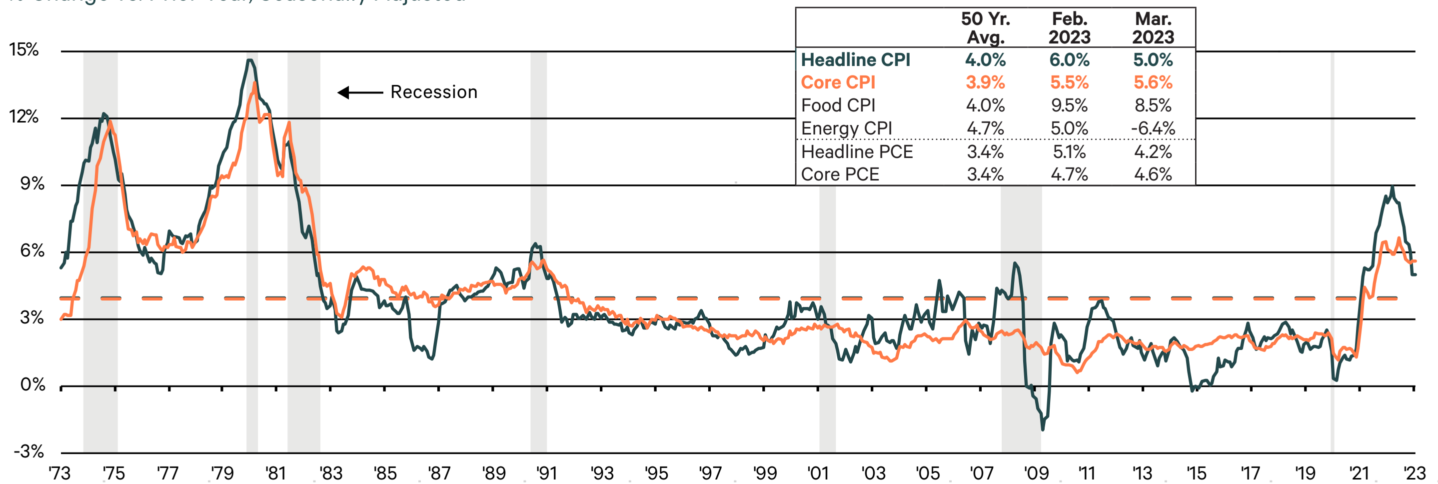
The month of April delivered positive returns across most of the major stock indices, providing investors with two consecutive months of gains. The S&P 500 Index returned 1.56% in the month, while the Russell 2000 Index of small capitalization stocks declined 1.80%, underperforming larger stocks. Value stocks, as represented by the Russell 1000 Value Index, outperformed growth stocks returning 1.51% versus 0.99% for the Russell 1000 Growth Index. The 10-year U.S. Treasury yield bounced around during the month ending at 3.45%, close to where it started at 3.43%.

A surprising number of strong first quarter earnings from large U.S. corporations and big technology companies helped push the S&P 500 higher in the month, while market volatility remained relatively subdued. Toward the end of the month, concerns over well-heeled customers at First Republic pulling large deposits from the bank created fresh worries that a banking crisis may spread and dampen the broader market. How the Federal Deposit Insurance Corp. shores up First Republic will be an important confidence signal for the markets.

Added to the banking crisis anxiety, the Federal Reserve raised its benchmark interest rate by 0.25% for its tenth consecutive rate increase. This moves the rate range to between 5% and 5.25%, making this the fastest rate increase cycle we have seen in 40 years. Almost more important than the rate increase is what the Fed said about future increases. At its recent meeting, the Fed indicated that they remain "highly attentive" to inflation risks and indicated that "a decision on a pause was not made today." However, Jerome Powell, the Federal Reserve Chairman, did say that the Fed was closer to an end but dashed the hopes of market participants that believe the Fed may need to trim interest rates later in the year. "We on the committee have a view that inflation is going to come down not so quickly," said Powell, adding that "if that forecast is broadly right, it will not be appropriate to cut rates."

FIGURE 1: CPI AND CORE CPI

% Change vs. Prior Year, Seasonally Adjusted



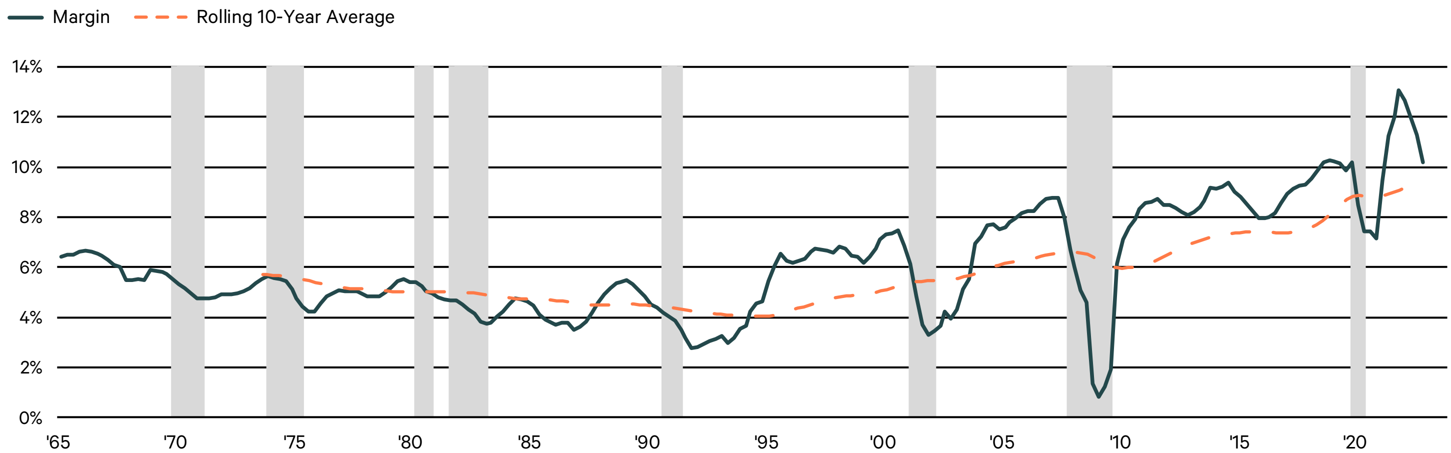
	50 Yr. Avg.	Feb. 2023	Mar. 2023
Headline CPI	**4.0%**	**6.0%**	**5.0%**
Core CPI	**3.9%**	**5.5%**	**5.6%**
Food CPI	4.0%	9.5%	8.5%
Energy CPI	4.7%	5.0%	-6.4%
Headline PCE	3.4%	5.1%	4.2%
Core PCE	3.4%	4.7%	4.6%

Data presented is as of May 1, 2023 and is obtained from BLS, FactSet and J.P. Morgan Asset Management and is assumed to be reliable. CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations. ***Past performance is no guarantee of future results.***

The Fed is walking a tightrope as inflation needs to come down without weakening the economy too rapidly. The risk is that the Fed over tightens and pushes the economy toward a worse outcome than otherwise necessary. The months ahead may prove the most challenging for the Federal Reserve and the course of its monetary policy.

Given that employment, wages, and the services sector continue to be resilient in the face of the Fed's tightening efforts, the Fed will require convincing data showing that hiring and investment spending is slowing. The Fed does not want to prematurely end rate increases only to see inflation surge again later in the year. Nonetheless, with each rate increase, we are likely to see less borrowing by businesses and consumers, as the costs become more expensive with each rate increase. As the rate increases continue to ripple through the economy, we believe it is likely to negatively influence the next earnings cycle as well as slow overall economic growth.

FIGURE 2: S&P 500® MARGIN (4-QUARTER AVERAGE) VS. 10-YEAR AVERAGE



Data is as of April 24, 2023, is obtained from Strategas and is assumed to be reliable. ***Past performance is no guarantee of future results.***

The proof will be in the numbers. In the meantime, safe haven assets appear to be most attractive to investors, who, like the Fed, are waiting to see what emerges as the year unfolds.

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