HORTER
INVESTMENT MANAGEMENT, LLC

Weekly Commentary
April 17th, 2023

The Debate

On various calls with institutional clients over the past couple of weeks, I have summarized the current state of the market as an ongoing debate between the bulls and bears - playing out daily. I opined that the macro situation boils down to a series of questions. For example: Will the economy experience a hard or soft landing? Are we seeing a bank crisis or is there "nothing to see here?" Is a credit crunch looming, or not? Will the Fed pivot or make a mistake? And will the consumer (and in turn, earnings) remain resilient or is a serious pullback in economic activity beginning to occur?

My primary point has been that the markets are in the process of working through these various questions/issues. Both teams have arguments - good arguments. And I have provided both sides of each recently - often with nearly equal fervor.

However, as I have opined in this space a time or twenty over the years, I believe markets can "handle" just about anything given enough data and time. And from my perch, the current market is a good example of this concept.

Bad News Abounds

To be sure, markets have had a fair amount of "bad news" thrown at them so far this year. There is the making of (or as the bears contend, the beginnings of) a bank crisis, the surprisingly sticky CPI reports, the weakening economic data, the geopolitical messes, and the nearly daily dose of uber-hawkish Fedspeak. Yet through it all, the markets have held up, dare I say it; pretty darn well.

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Keep in mind that not every person's opinion is worthy of your attention -Unknown

Taking a Comprehensive Look at The Overall Current Stock Market

In a truly diversified portfolio, the portfolio's assets are spread across several asset classes, so that the portfolio's total return is determined by the performance of all of the positions in combination – not individually based on one asset type. While diversification does not ensure a profit or guarantee against loss, it can help mitigate the risk and volatility in your portfolio.

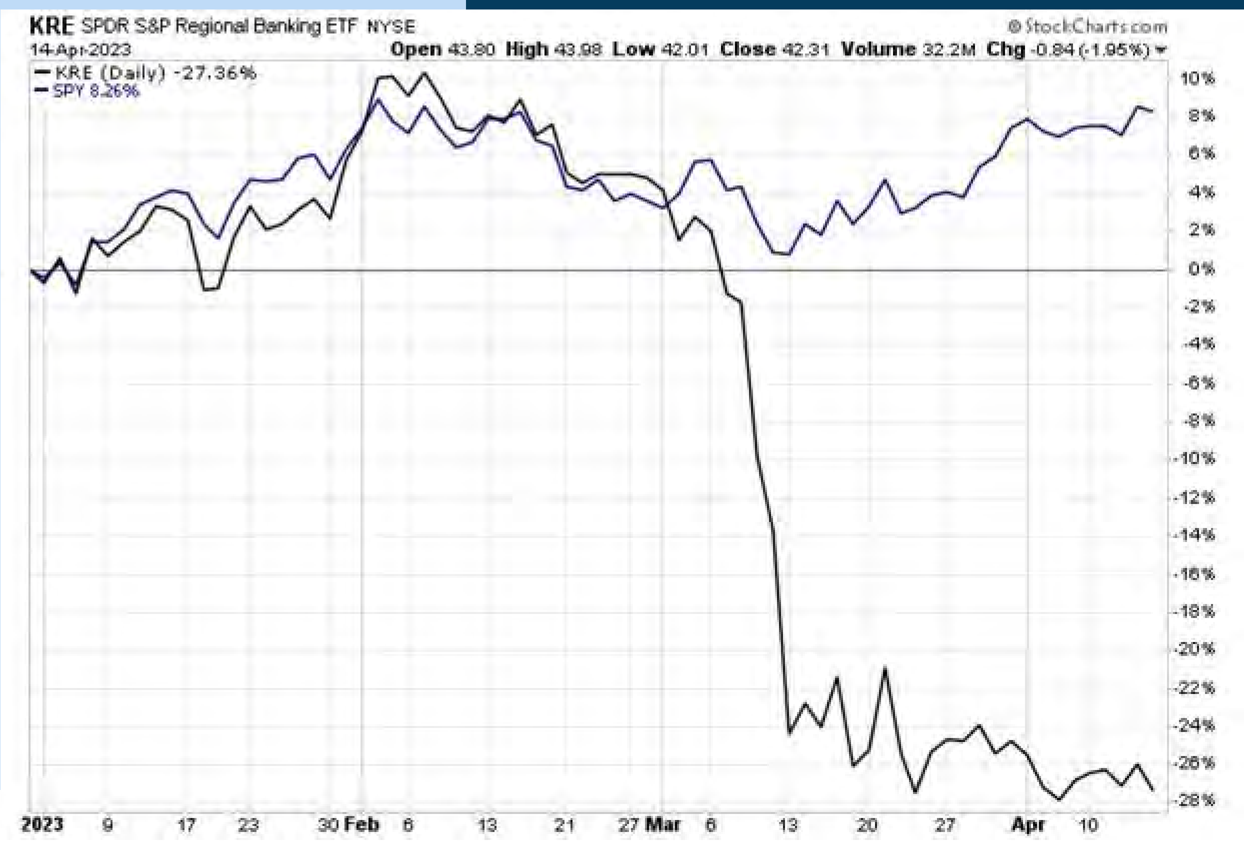
Index		YTD
Morningstar Alternatives Fund (MSTVX)	▲	0.82%
iShares US Agg Bond ETF (AGG)	▲	3.14%
DoubleLine Total Return Bond Fund (DBLTX)	▲	3.31%
40/60 SPY / iShares AGG	▲	5.16%
60/40 SPY / iShares AGG	▲	6.17%
Vanguard Balanced Index Fund (VBINX)	▲	5.81%

The chart above illustrates the performance of funds and ETF's designed to track major indices, including 2 Bond indices (DBLTX and AGG), 1 S&P500 Equity index (SPY), 1 Balanced index (VBINX), and 1 Multialternatives index (MSTVX).

The chart also illustrates the performance of 2 balanced portfolios combining both a Bond index (AGG) and an equities index (SPY) the portfolio with the lower exposure to equities (40%) and higher exposure to bonds (60%) would generally be considered more conservative than a portfolio with higher exposure to equities (60%) and lower exposure to bonds (40%).

A hypothetical portfolio consisting of an equal weighting to all of the examples shown above would be 4.07% year to date.

Chart of the Week



WEEKLY MARKET SUMMARY

Global Equities: Stocks were higher during the week as inflation data offered glimmers of hope and earnings season kicked off. The S&P 500 was up 0.8%, the Nasdaq gained 0.3% and the Dow Jones Industrial Average led domestic indices at 1.2%. Developed international stocks were 1.8% higher while emerging markets were also up 0.8%.

Fixed Income: 10-Year Treasury yields steadily rose during the week, topping out at 3.52% on Friday. The yield curve remains deeply inverted as investors have increasingly begun to anticipate a deeper recession. High yield bonds were 0.6% higher during the week. High yield bond mutual funds and ETFs attracted $235 million in weekly inflows, however that pales in comparison to money market funds which continue to be the most sought-after fixed income asset class with $25.4 billion in inflows during the week.

Commodities: Oil prices continued to trend higher, with US Benchmark crude West Texas Intermediate up to around $82 a barrel. Prices are up due to a number of factors, including the recent OPEC production cuts, as well as a weaker US dollar, which makes dollar-denominated crude cheaper for foreign buyers. While global demand projections have come down in some areas as recession fears mount, demand from China has been ravenous as the country continues to reopen from its pandemic-era policies.

WEEKLY ECONOMIC SUMMARY

CPI Inflation Data: After a few hiccups to start 2023, inflation data once again showed signs of improvement. The March Consumer Price Index (CPI) rose 0.1% for the month and 5.0% year-on-year, below estimates. The Core CPI, ex-food and energy, gained 0.4% for the month and 5.6% annually, in line with expectations. Economists are still awaiting a long-anticipated drop in the shelter component to reflect the cooling housing market. Shelter prices continue to rise, but the pace slowed slightly to 0.6% for the month. Still, shelter has been one of the biggest drivers of core inflation at an 8.2% annual rate.

PPI Inflation Data: Producer Price Index (PPI) supported the CPI data with a -0.5% decline in March, the biggest decline in the reading in nearly three years. While most of the decline was attributable to lower energy costs, Core PPI rose just 0.1%, which was also below estimates. Producer prices are considered a leading indicator, as they reflect input costs to products that will eventually become consumer goods and impact CPI data.

Earnings Season Begins: Big banks kicked off the first quarter of 2023 earnings with a solid start. Despite the regional bank crisis, or perhaps because of it, revenue surged at several large banks. For JPMorgan (JPM), Citigroup (C), Wells Fargo (WFC), and PNC (PNC), investor panic withdrawals from smaller regional rivals translated into major inflows, as nervous depositors moved their money to the relative safety of the “too big to fail” banking cohort. While the earnings were strong, JPM and WFC also highlighted the risks to the economy as the Fed continues to hike rates, with both announcing significant increases to provisions for credit losses.

Stock Market Score Card
April 17th, 2023

The Stock Market Scorecard is designed to provide a succinct summary of the "state of the market." The scoreboard includes indicators covering trend, momentum, mean-reversion, sentiment, and fundamental factors over the short-, intermediate-, and long-term time frames.

Indicator / Model	Current Signal	Indicator Rating	S&P 500 Historical Return*
Primary Cycle Analysis			
Secular Market Cycle		Bull Market	31.2%
Cyclical Market Cycle		Bear Market	-22.8%
Price Trend Analysis			
Short-Term Trend	Buy	Positive	NA
Intermediate-Term Trend	Buy	Positive	NA
Long-Term Trend Signal	Buy	Positive	9.3%
Momentum Analysis			
Short-Term Momentum Model	Hold	Neutral	13.9%
Int-Term Momentum Model	Hold	Positive	11.7%
Long-Term Momentum Model	Buy	Positive	15.1%
Fundamental Analysis			
Economic Model	Hold	Neutral	2.2%
Earnings Model	Hold	Neutral	-5.7%
Monetary Model	Buy	Neutral	13.5%
Inflation Model	Buy	Positive	12.9%
Valuation Model	Sell	Neutral	-1.8%
Overbought/Oversold Analysis			
Short-Term Signal	Hold	Negative	NA
Int-Term Signal	Buy	Positive	11.4%
Long-Term Signal	Buy	Negative	NA
Investor Sentiment Analysis			
Short-Term Sentiment Model	Hold	Neutral	7.6%
Int-Term Sentiment Model	Hold	Neutral	12.7%
Long-Term Sentiment Model	Buy	Positive	10.2%
		Current Scores Average Gain/Annum:	8.68%
		S&P 500 average gain/annum from 12/28/1979*:	8.78%
		*(*Source: Ned Davis Research)*	

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