HORTER
INVESTMENT MANAGEMENT, LLC

Weekly Commentary
April 24th, 2023

Evidence of a New Bull Market

The stock market appears to have spent the vast majority of the last week or so doing, well, a lot of nothing. In short, the S&P 500 has moved up into the high end of the recent trading range, which, as our heroes in horns tell us, is certainly an encouraging sign.
However, so far at least, the venerable market index has been unable to "break on through to the other side".

Our furry friends in the bear camp contend that stocks are tracing out a "double top" formation and thus, the current rally is doomed to fail. The negative Nancy crowd contends that stocks have lost touch with reality. That the economy is slowing quickly. That a credit crunch is on the way. That a banking crisis is heating up. That valuations are sky high. That the good 'ol USofA is about to default on its debt. And that a nasty recession is sure to follow. Joy.
The bulls counter with the idea that a softish landing remains the base case scenario. Our heroes in horns point to the strong jobs market, the resilient, free spending consumer, and the still-strong housing market as reasons to justify their upbeat view on the economy. They also contend that inflation is clearly heading in the right direction. That the Fed is about to pause. That stress on banks is receding. That VIX levels are trending lower. And that earnings continue to be "just fine, thank you."

So, as I opined last week, the debate in the market continues unabated.

Waiting on the Big Boys
Although the only way to resolve the debate playing out in the market is with a heaping helping of hindsight, my take is that the recent rally is stocks suggests investors are looking beyond all the "known" worries and ahead to better days....

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Turn every bit of adversity into fuel for improvement
-Nassim Taleb

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)	▲ 0.72%
iShares US Agg Bond ETF (AGG)	▲ 2.25%
DoubleLine Total Return Bond Fund (DBLTX)	▲ 3.08%
40/60 SPY / iShares AGG	▲ 4.46%
60/40 SPY / iShares AGG	▲ 5.57%
Vanguard Balanced Index Fund (VBINX)	▲ 5.71%

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 3.63% year to date.

Chart of the Week

Dow Jones - Week Ending

WEEKLY MARKET SUMMARY

Global Equities: Stocks were slightly lower during the week, as earnings trickled in, and Fed speakers voiced support for at least one more rate hike. The S&P 500 ended the week down -0.1%, the Nasdaq composite slipped -0.4%, and the Dow Jones Industrial Average finished with a -0.2% loss. Developed International stocks were relative outperformers with a 0.6% weekly gain, while emerging markets struggled with losses of -1.8%.

Fixed Income: 10-Year Treasury yields were relatively unchanged around 3.54%, but the shorter end of the yield curve saw significant yield compression with the 1-month Treasury Bill yield declining from over 4% to 3.4% by week's end. 3-month Treasury yields remain above 5%, representing the high point on the yield curve. High yield bonds were weaker, down -0.4%. The recent trend of cash flooding money market funds reversed with $67.4 billion of outflows, while high yield bond funds saw $3.06 billion in weekly inflows.

Commodities: Oil prices eased on rising concerns for global slowdown, with US West Texas Intermediate crude declining to under $78 a barrel. Thursday marked the three-year anniversary of oil's unprecedented drop into negative territory, when the early days of the COVID-19 pandemic led crude contracts to settle at negative $37.63 a barrel.

WEEKLY ECONOMIC SUMMARY

Housing Deflation on the Horizon? Shelter has been one of the biggest drivers of core inflation at an 8.2% annual rate, but anecdotal evidence suggests we should see a reversal by the second half of the year, if not sooner. Home sales declined in March, an ominous sign for the spring selling season. Existing home sales were down -2.4% for the month and -22% year on year as higher mortgage rates have homeowners sitting tight and buyers reluctant to lock in. Aside from an unexpected uptick in February, home sales have declined in 13 of the previous 14 months. Home prices have fallen for two consecutive months, the first such occurrence in 11 years.

Beige Book: The Federal Reserve Beige Book report, a summary of regional data and surveys, was released mid-week, offering insight into economic conditions from the 12 member banks. Credit conditions were the major focal point following regional bank failures, with lending declining and some regions reporting inflows as money was pulled from troubled west coast financial institutions. Overall economic activity was steady, with nine regions reporting no change or slight growth, and three reporting modest gains.

Earnings Season: Following generally strong earnings from big banks, several regional banks reported earnings this week. As expected, deposits were down for most regional lenders, as the Silicon Valley Bank failure led to an exodus of deposits from smaller banks which then flowed to the mega-cap financial institutions. Among the losers were Truist Financial (TFC), Key Corp (KEY), and Zions Bancorp (ZION), while Western Alliance (WAL) and Regions Financial (RF) surprised to the upside.

Stock Market Score Card
April 24th, 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	Hold	Neutral	NA
Intermediate-Term Trend	Buy	Positive	NA
Long-Term Trend Signal	Buy	Positive	9.4%
Momentum Analysis			
Short-Term Momentum Model	Hold	Neutral	13.9%
Int-Term Momentum Model	Hold	Positive	11.6%
Long-Term Momentum Model	Buy	Positive	15.1%
Fundamental Analysis			
Economic Model	Hold	Neutral	2.6%
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	Sell	Negative	NA
Int-Term Signal	Hold	Neutral	10.4%
Long-Term Signal	Buy	Negative	NA
Investor Sentiment Analysis			
Short-Term Sentiment Model	Hold	Neutral	7.6%
Int-Term Sentiment Model	Hold	Neutral	12.6%
Long-Term Sentiment Model	Buy	Neutral	19.3%
		Current Scores Average Gain/Annum:	**9.33%**
		S&P 500 average gain/annum from 12/28/1979*:	8.78%

*(*Source: Ned Davis Research)*

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