HORTER
INVESTMENT MANAGEMENT, LLC

Weekly Commentary
May 8th, 2023

While We Wait...

Make no mistake about it; this week's Fed meeting is the primary focal point for market participants. And from my seat, the outcome and/or the "tone" of Jay Powell's press conference is likely to become the driver of the next near-term trend in both the stock and bond markets.
While I could spend my pixels this morning prognosticating about what I think the Fed is going to do, long-time readers know that is simply not my style.

No, I prefer to focus on staying in tune with what markets "are" doing at all times. However, I can say that markets are expecting we will see another 25 basis point hike for the Fed Funds rate tomorrow afternoon.

From there though, the opinions differ. The bulls contend that Powell will tell us that, in the committee's opinion, rates are now sufficiently restrictive so as to squelch inflation over time. As such, those seeing the market's glass as at least half full contend that the Fed will push the pause button tomorrow.

On the other side of the court, our furry friends in the bear camp contend that inflation remains elevated/sticky and that since the FOMC has been adamant they will remain "data dependent," there will be no pause pronouncement made on Wednesday.

Looking at a chart of the S&P 500, it is clear that the bulls have held enough sway lately to push the venerable blue chip index to the very tippy top of the trading range that has been in place since the beginning of February. But unfortunately, our heroes in horns have not been able to push the ball over the goal line.

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He who truly knows has no reason to shout. - Leonardo da Vinci

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)	▲	0.21%
iShares US Agg Bond ETF (AGG)	▲	2.74%
DoubleLine Total Return Bond Fund (DBLTX)	▲	4.10%
40/60 SPY / iShares AGG	▲	4.80%
60/40 SPY / iShares AGG	▲	5.84%
Vanguard Balanced Index Fund (VBINX)	▲	5.94%

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 3.94% year to date.

Chart of the Week

MEETING PROBABILITIES

MEETING DATE	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
6/14/2023								0.0%	0.0%	0.0%	0.0%	0.0%	96.1%	3.9%
7/26/2023			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	38.1%	59.5%	2.3%
9/20/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.9%	52.7%	20.6%	0.7%
11/1/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	24.5%	51.2%	22.4%	1.8%	0.0%
12/13/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	24.6%	51.1%	22.3%	1.8%	0.0%	0.0%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	23.9%	50.3%	23.2%	2.4%	0.1%	0.0%	0.0%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	25.0%	49.2%	22.3%	2.3%	0.1%	0.0%	0.0%	0.0%
5/1/2024	0.0%	0.0%	0.0%	0.2%	5.8%	29.8%	43.9%	18.3%	1.9%	0.1%	0.0%	0.0%	0.0%	0.0%
6/19/2024	0.0%	0.0%	0.1%	3.4%	19.6%	37.9%	29.1%	8.9%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
7/31/2024	0.0%	0.1%	2.6%	15.5%	33.2%	31.4%	14.0%	2.9%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
9/25/2024	0.0%	1.3%	9.0%	24.4%	32.3%	22.7%	8.5%	1.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
11/6/2024	0.4%	3.4%	13.1%	26.5%	29.8%	19.0%	6.6%	1.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%

Dow Jones - Week Ending

WEEKLY MARKET SUMMARY

Global Equities: Stocks were mixed after Friday's April Jobs report pushed stocks higher, recovering losses of more than -2% from earlier in the week. The S&P 500 finished down -0.8%, the Nasdaq gained 0.1%, and the Dow Jones Industrial Average closed down -1.2%. Developed International stocks and Emerging Markets were up 0.4% and 0.7%, respectively, for the week.

Fixed Income: 10-Year Treasury yields were relatively unchanged, rising slightly to 3.45% from 3.42%. 1-month T-Bill yields, which were 3.3% on April 21st, are now 5.3%, overtaking the 3-month Treasury as the high point on the yield curve. High yield bonds were down for the week, losing -0.4% with a huge weekly outflow of $1.5 billion. Money market funds reported over $20 billion in weekly inflows.

Commodities: Oil prices saw their third consecutive weekly decline, closing out the week at $71.50 for a decline of nearly -7% for US West Texas Intermediate. Gold reached an intraday high of $2,085.40 on Thursday, almost making a new all-time high as concerns over regional banks headline the news.

WEEKLY ECONOMIC SUMMARY

Regional Bank Shakeup: Regulators seized First Republic Bank early Monday, making it the second largest bank failure in U.S. history, and sold all deposits and most of its assets to JP Morgan. The purchase was hoped to ease concerns over the regional banks but only made matters worse as investors looked for the next domino to fall. Regional banks took a beating over the week, even though there was not any additional negative news, as the SPDR S&P Regional Banking ETF was down over -10% for the week and PacWest experienced a loss of -69% between Monday through Thursday before bouncing 82% on Friday.

Employment Situation: Job growth accelerated in April and the unemployment rate ticked down to 3.4%, a 53-year low, as nonfarm payrolls increased by 253,000 during the month. This was a big beat over the consensus 178,000. At first look one would have thought that this would have been bad for the markets as the Fed looks to slow the economy down to combat inflation, providing ammunition for another possible hike in June. However, the market-moving factor was the revision to February and March as there were 149,000 fewer jobs than previously reported.

Earnings Season: The last of the mega cap stocks, Apple Inc. (AAPL), reported earnings after the bell on Thursday beating analyst expectations, driven by stronger than anticipated iPhone sales. The strong earnings news sent the stock upwards of 5% on Friday, its best daily gain since November. iPhone sales in the U.S. were lower than expected but sales were powered by accelerating growth in China and emerging markets. Apple also increased their dividend by 4% and the board authorized $90 billion in stock buyback.

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Stock Market Score Card
May 8th, 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	13.5%
Int-Term Momentum Model	Hold	Positive	11.6%
Long-Term Momentum Model	Buy	Positive	15.1%
Fundamental Analysis			
Economic Model	Hold	Neutral	4.4%
Earnings Model	Hold	Neutral	-5.6%
Monetary Model	Buy	Neutral	13.4%
Inflation Model	Buy	Positive	12.9%
Valuation Model	Sell	Neutral	-0.5%
Overbought/Oversold Analysis			
Short-Term Signal	Buy	Positive	NA
Int-Term Signal	Hold	Neutral	10.4%
Long-Term Signal	Sell	Positive	NA
Investor Sentiment Analysis			
Short-Term Sentiment Model	Hold	Neutral	7.5%
Int-Term Sentiment Model	Hold	Neutral	12.6%
Long-Term Sentiment Model	Buy	Positive	10.2%
		Current Scores Average Gain/Annum:	**8.82%**
		S&P 500 average gain/annum from 12/28/1979*:	8.77%

*(*Source: Ned Davis Research)*