Investment Insights

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Our Philosophy **A broadly diversified portfolio gives our clients the best chance to achieve their goals while taking as little risk as possible. However, there are fundamental economic realities that warrant consideration as we construct and modify portfolios.**

Assumptions & Outlook

- Two large bank failures have put a spotlight on the impact of the Fed's policy to raise interest rates. However, the Treasury Department has moved aggressively to calm depositor's fears and it appears unlikely the failures will trigger a 2008 style financial crisis.
- The Russian invasion of Ukraine continues to create uncertainty in global markets.
- The Federal Reserve appears to have paused raising rates and it is unclear if they will continue as inflation has trended downward over the most recent months.
- The yield on intermediate term bonds has dropped and some bond traders are forecasting interest rate cuts late in 2023 or early 2024.
- As of the end of June 30, 2023, our Circuit Breaker is showing a "Normal" sign, with the closing Index value 10.3% above an "Underweight" signal.
- Inflation has spiked to levels we have not experienced in over 40 years. However, it has moderated recently.
- Most analysts are forecasting a recession in 2023 or sometime in 2024, the only question is how long and how deep.

Portfolio Implications

- For clients in the distribution phase, we will continue to review and manage an appropriate level of reserves (i.e. bank cash, money market funds and high quality bonds).
- One benefit of a rising interest rate environment is cash positions are now paying a meaningful yield of about 4.75%.
- For clients in the accumulation phase, rebalancing your portfolio to ensure you are aligned with your target allocation may have merit.
- For clients in the distribution phase, it may be advantageous to hold a little extra money in their Money Market funds with yields increasing to about 4.75% for these positions.
- Our investment policy provides the framework and discipline for making investment decisions. We continue to invest globally, in both stocks and bonds.
- Rising interest rates will lead to higher bond yields which should help the total return of bond holders in the intermediate and longer term.
- During market corrections, it can be a good idea to consider reducing discretionary spending to help with investment sustainability.

As always, thank you for your trust and confidence.

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