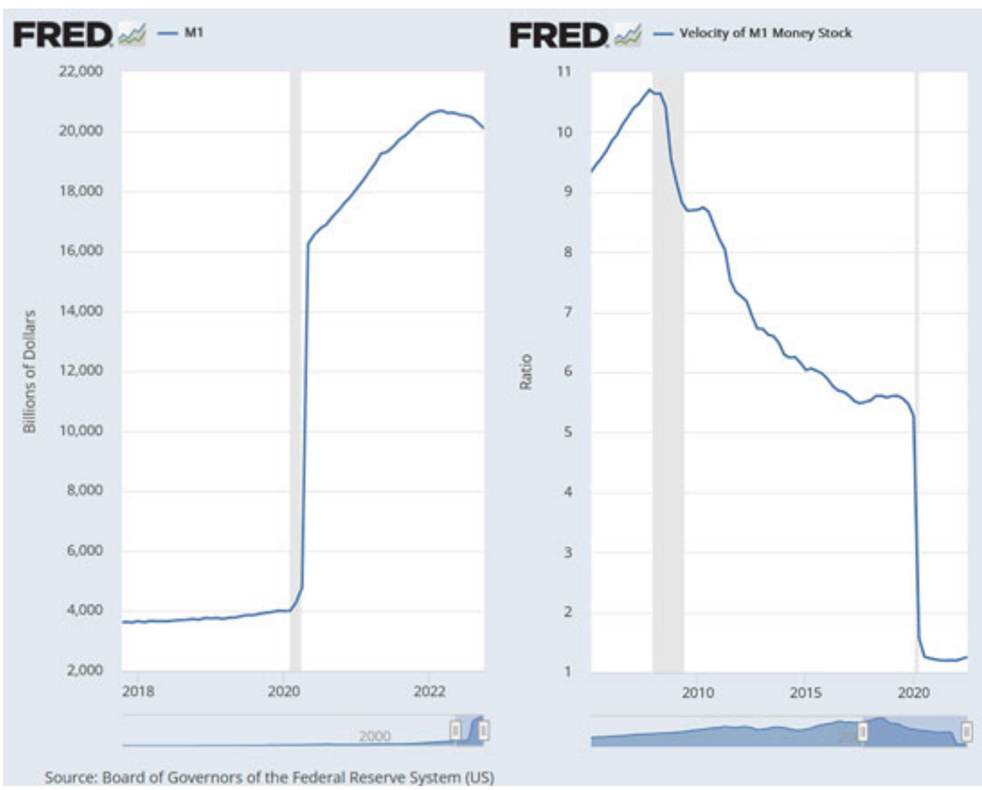
First Quarter 2023

Complications Abound for 2023 Market Outlook

After a crazy, volatile year end for financial markets in 2022, market forecasts for 2023 are expected to touch every extreme. The problem is that it really is different this time. Monetary policy since 2020 has create extremes that we've never seen before.

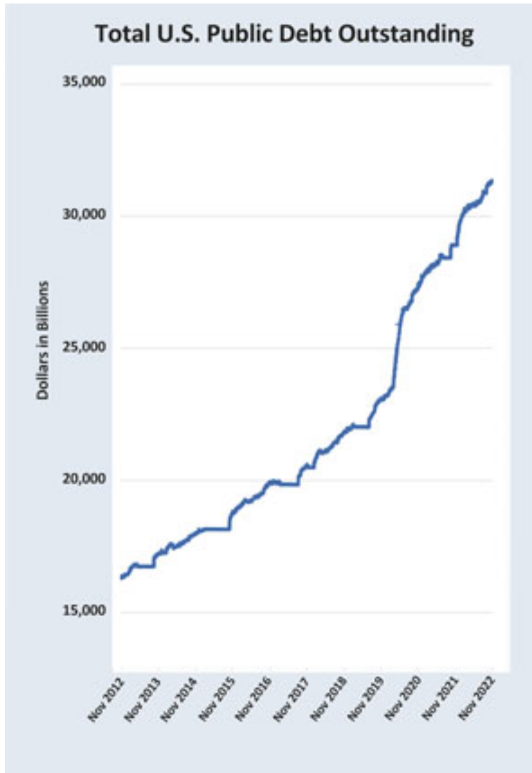
The coronavirus pandemic saw the most aggressive financial intervention in our country's history. The U.S. money supply, measured by M1, increased from $4,000 billion to in excess of $20,000 billion; the velocity of money, or the rate at which money is spent, nosedived. Graphs from the Federal Reserve highlight how dramatic the changes have been.



M1 is the narrowest measure of the money supply, comprising the currency in circulation plus demand deposits or checking account balances. Beginning May 2020, M1 consists of (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) demand deposits at commercial banks (excluding those amounts held by depository institutions, the U.S. government, and foreign banks and official institutions) less cash items in the process of collection and Federal Reserve float; and (3) other liquid deposits, consisting of OCDs and savings deposits (including money market deposit accounts).

The velocity of money measures the number of times that the average unit of currency is used to purchase goods and services within a given time period. More money in the system was expected to help maintain economic activity. High monetary velocity is one of the variables that determine inflation.

By March of 2022, the U.S. government approved more than $5.2 trillion in response to the coronavirus (COVID-19) pandemic, including $931 billion in direct payments to individuals. The money was anything but free as U.S. government public debt increased in excess of 50% over the two-year period. At the same time, the Federal Reserve spiked its assets under management to exceed $232 billion, flooding the financial system with money.



Source: U.S. Treasury Dept (http://fiscaldata.treasury.gov/datasets/historical-debt-outstanding/)

What will it take to bring the flood of excesses back into some form of normalcy and dampen the impact of too much money and too much debt? Only hindsight is going to answer that question. In the meanwhile, 2023 is going to be an interesting year for investors and a tough year for retirees with limited tools to cope with market volatility and inflation.

As the year gets underway, take some time to set up an appointment to meet with us and discuss your finances, how we are approaching 2023 with respect to investing opportunities and changes you can make in your own life to weather financial market uncertainty.

The views stated in this piece should not be construed directly or indirectly as investment advice. Due to uncertainty within the financial markets mentioned, opinions are subject to change without notice. Past performance is NOT indicative of future performance. Work with a qualified financial advisor. Ask questions before you make any major moves. And always have a plan to change directions if the scenario you are anticipating doesn't materialize. For a comprehensive review of your personal situation, always consult with a tax or legal advisor.

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