

KFG INSIGHT

Economic news. Company updates.

S&P, Nasdaq Deliver Strong Q1 Gains. ^{*1}

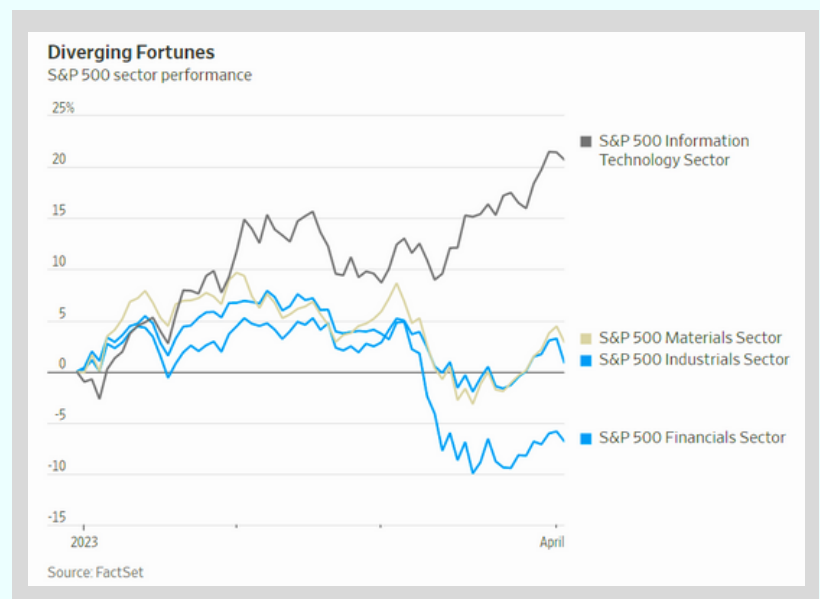
by: Ryan Kropog, CFP®, RICP®

After a broad sell-off in 2022, US stocks rose during the first quarter of 2023 in a show of resilience despite a banking crisis and lingering uncertainty about what's ahead for the economy. The S&P 500 ended the quarter up nearly 7.5%, while the tech-heavy Nasdaq delivered its best quarter in over two years, posting a 17% gain. So what's driving these gains? And will the recovery continue? The answers: interest rates and we'll see.

High inflation and interest rate increases influenced the stock market's decline in 2022. However, it is now becoming clear that those two factors will have less of an impact in 2023.

Inflation data has been trending downward since the Summer, and the Federal Reserve (Fed) has been open about its plans to soon stop raising interest rates. The recent banking sector issues (partially driven by the steep rise in rates) have also forced the Fed's hand a bit.

Specifically to the Nasdaq, the resurgence of the tech sector has been driven by hopes that the Fed will soon pause its aggressive interest-rate increase campaign. That has dragged down yields on government bonds, which has increased the allure of holding growth stocks. Easing interest rate policy is positive for big tech and other growth-focused companies, as growth stocks are valued not only by their current sales and profits but also by projected future sales and profits. Lower rates can entice investors to pay more for shares of companies that they expect to churn out outside profits in the future. As a result, shares of Apple, Microsoft, Amazon, Nvidia, Meta, and Google-parent Alphabet, averaged a 42% jump in the first quarter!



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Welcome!

Gabrielle Walker, BA
Director of Client Relations

Gabrielle was born in Biloxi, Mississippi on Keesler's Air Force Base, and raised in St. Tammany Parish. She received her bachelor's degree from Southeastern Louisiana University in May 2016. Since graduating, Gabrielle has worked in a managerial position for a local vision care center, giving her valuable knowledge and experience with both client relations and business management.



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So, the prospect of easing interest rate policy has helped drive a rebound in stocks. Got it. But will this rally continue throughout the year? Well, for those of you who've spoken with us over the past 6-8 months, you know that our "base case" scenario for 2023 has been that inflation will gradually fall while interest rate increases will stop sometime in mid-2023. That is still our assessment, and that dynamic has been influencing the market recovery thus far, which is great. However, this also means that the market may be vulnerable to a pullback if inflation and/or interest rates don't continue to move down as planned. So, we will of course continue to monitor this data and act accordingly.

Lastly, the US economy, while slowing, remains strong in terms of the labor market and consumer spending. So, we have not seen the "crash landing" recession scenario play out as once feared. But as the recent banking crisis showed, the ripple of effects of interest rate hikes sometimes take months to materialize. Yung-Yu Ma, chief investment strategist at BMO Wealth Management, recently said it best, "Right now the stock market is trying to grapple with this tug of war between some enthusiasm about what is expected to be lower rates and concern about whether the economic slowdown will actually gain momentum".



THE MONTHLY MINUTE ^{*2}

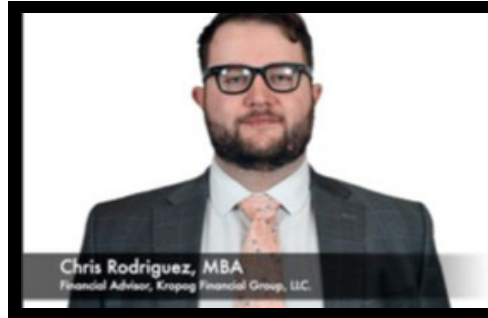
WITH KROPOG FINANCIAL GROUP, LLC

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KFG News

WHAT'S NEW AT KROPOG FINANCIAL GROUP

- Upcoming birthdays: [Ryan](#) (April 27th), [Suzanne](#) (May 3rd), [Chris](#) (May 12th), [Calvin](#) (June 12th)
- [Jim](#) is now serving as the President of the Louisiana chapter of the Financial Planners Association (FPA)! [Chris](#) serves on the FPA's Next-Gen board of advisors.
- Contact our Director of Client Relations, Gabrielle Walker (Gabrielle@KropogFinancialGroup.com) with any service-related questions, and be sure to include her in all other office email correspondences.
- Servicing our clients is the core of what we do. If you know of someone who has changed careers or recently retired and would benefit from financial planning, feel free to direct them to our website (www.KropogFinancial.com), where they can schedule an "Initial Consultation" with us.

◆ KROPOG ◆

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Words to Inspire

by: Suzanne Kropog

"True humility is not thinking less of yourself; it is thinking of yourself less."
– C.S. Lewis

"How far you go in life depends on your being tender with the young, compassionate with the aged, sympathetic with the striving, and tolerant of the weak and strong. Because someday in your life you will have been all of these."

– George Washington Carver

~DISCLAIMERS~

*1 S&P, Nasdaq Deliver Strong Q1 Gains.

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This Research material was prepared by [Ryan Kropog](#).

Sources:

- https://www.wsj.com/articles/tech-shines-cyclicals-lose-as-traders-bet-on-uneven-growth-shock-d91b5d70?mod=hp_lead_pos7
- https://www.wsj.com/articles/inflation-report-arrives-as-fed-confronts-bank-failures-5f0e10ae?mod=hp_lead_pos1
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- <https://www.cnn.com/2023/03/31/business/stocks-q1/index.html>

*2 The Monthly Minute:

This material has been prepared by Kropog Financial Group, LLC. - Tracking # 402690-3 (Monthly Minute - January 2023)

- Jan. 2023: <https://youtube.com/watch?v=QULqLF4raBs&feature=shares>

This material has been prepared by Kropog Financial Group, LLC. - Tracking # 409810-2 (Monthly Minute - February 2023)

- Feb. 2023: <https://youtube.com/watch?v=ILUNgRrtJOo&feature=shares>

This material has been prepared by Kropog Financial Group, LLC. - Tracking # 415229-2 (Monthly Minute - March 2023)

- Mar. 2023: <https://youtube.com/watch?v=6-k6hXIZdHY&feature=shares>

*3 Quick Hitters:

Links to other websites are provided solely as a convenience. Clicking on these headlines will redirect you to an alternate website that is not operated or maintained by our office.

Sources:

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