Comprehensive Investment Management, LLC

Fee Only Personal Financial Planning

MARCH 31, 2023

A SECOND EXCELLENT QUARTER

It's not a tsunami but the tide that finally turned last quarter continues to run in our favor. The S&P 500 has crawled back to within 14% of its high set in early January 2022. Down 14% is better than down 20% where it started 2023 and better than down 25% last October. The waters got a little rough at times but a strong final week in March provided a push in the right direction. There have been two winning quarters in a row after three quarters of a market downturn driven by (what else?) high inflation and the raising of interest rates by the Federal Reserve with the intention of stifling inflation.

For sometime now the direction of the markets has been about nothing but inflation and what the Federal Reserve is going to do about it. The question is: Can the Fed get inflation under control without driving down business activity to an extent the economy falls into a recession? For more than a year markets have been fixated almost exclusively on whether the Fed can bring the economy in with a soft landing. That is no small task after years of low interest rates (cheap money), government stimulus checks to individuals and grants and loans to businesses. What could possibly get the markets to pay attention to something else?

Perhaps bank failures. It's not surprising that something had to give. Over the last twelve months interest rates have more than doubled. The banking industry would be a likely place for cracks to appear. They did and the result was a bank run by depositors in California that quickly spread to several other banks. Fearing further contagion, once again the government has stepped in to do what it felt necessary to protect the US economy. It had taken similar extraordinary measures during the 2008 financial crisis and the Covid pandemic. To deal with the bank runs it removed cap limits on FDIC insurance for affected bank depositors. In 2008 it provided unprecedented coverage for money market funds. There is the danger of unforeseen consequences. In a capitalistic society there has to be consequences for bad business decisions, as well as a balance between private and government spending.

Arguably, for the government to do nothing would be more expensive in the long run. So far the markets are dealing ok with a few bank failures. A real concern is the national deficit will reach a point where it is seriously detrimental to the economy, even in the short term. The deficit problem can be kicked down the road only so far.

Average Returns of Select Mutual Funds

At March 31, 2023	QTR	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
US Stocks	6.4	6.4	-7.4	16.6	8.4	11.7	10.8
Healthcare Stocks	-1.5	-1.5	-2.3	13.0	9.9	13.0	13.2
Foreign Stocks	7.8	7.8	-8.1	12.1	2.9	6.2	6.1
Intermediate Bonds	3.5	3.5	-4.8	-1.1	1.7	1.5	3.1
VG Wellington Fund (65% stocks)	3.3	3.3	-5.5	10.6	7.0	8.0	7.5
VG Wellesley Fund (35% stocks)	1.3	1.3	-4.4	5.4	4.7	5.3	6.3