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Dear Valued Investor,

The financial markets' resilient performance during March was striking, despite pockets of uncertainty surrounding the strength of the economy—and not to mention concerns over the durability of the banking system. The ability of the market to navigate nearly two weeks of headline-related risk tested the underlying resolve of the market's capacity to look ahead.

Moreover, it underpinned our conviction that despite setbacks, including bouts of volatility, we will see the beginnings of a new bull market emerge, especially as the Federal Reserve (Fed) winds down its campaign to quell inflation. By all indications, the Fed is edging closer to its final interest rate hike, which should help bolster both consumer and business confidence.

According to The Conference Board, consumer confidence inched slightly higher during March, reflecting a solid labor market with an unemployment rate of 3.6%—the lowest it has been in over 50 years. In addition, the National Association of Home Builders (NAHB) confidence index continued to climb higher in March, representing the third straight month of improvement. With mortgage rates tilting lower, sales of new homes began to pick up during the month, and many industry experts were commenting that the housing market may be on the cusp of "bottoming out."

Certainly, the strains in the banking system jolted investor confidence and the market's positive trajectory, but the quick response from government agencies—particularly the Fed's lending facility, designed to help banks shore up their balance sheets quickly—helped restore calm in the market. Fed Chairman Jerome Powell echoed the reassuring words of many officials in the U.S. and abroad when he said the U.S. banking system "is sound and resilient with strong capital and liquidity," and that "deposits are safe."

Helping to further strengthen support in the country's financial infrastructure, and ease investor anxiety, was the headline that First Citizens Bank would purchase "all of the deposits and loans" of Silicon Valley Bank, the bank that collapsed quickly and ignited a stretch of fear and panic across financial markets. With the private sector showing the value it sees in the ailing bank, we saw renewed optimism and faith in the overall banking system, and markets in general. First Citizens share price climbed 53% on the first trading day following the announcement, demonstrating the market's confirmation that the deal made sense—and that the banking sector is safe.

Investors and traders alike were able to continue to find value in the market as stability returned. Investors' patience was tested yet again, however, when Credit Suisse, a major global bank with a strong presence in the U.S., came under severe pressure. That situation was resolved quickly when Credit Suisse was seemingly instantaneously rescued by merging with its long-time rival, UBS.

Overall, patience and perseverance was rewarded as markets continued to factor in an increasingly realistic scenario of lower interest rates and a weaker U.S. dollar, which helps U.S. exporters compete in the global marketplace and helps soften overall financial conditions globally. It's also important to keep in mind that it's very rare for markets to suffer negative returns two years in a row. The unwinding of the technology bubble and the financial crisis that began in 2008 witnessed successive years of negative performance, but they represent anomalies.

The sound foundation of our financial system corroborates our constructive optimism of the upward and long-run trend of markets, despite headlines designed to jar nerves and test our steadfast resolution. As always, please reach out to me with any questions.

Sincerely,

Quincy Krosby

Quincy Krosby, PhD
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