THE PRIVATE CLIENT GROUP
BALANCING LIFE & WEALTH

ECONOMIC & MARKET INSIGHTS

An Executive Summary for January 2023

Investors are deluged daily with data about the economy. Invariably, the data does not emit consistent clues about the direction of the economy. It is important to remember that some data is classified as leading economic indicators that tend to move before changes in the overall economy. Other data is classified as coincident indicators, and the last group is classified as lagging indicators that tend to move after changes in the overall economy.

January witnessed noteworthy leading and lagging data announcements. Employment is a lagging indicator, and the almost incredulously strong increase in the number of new jobs, 517,000 in January, and the reduction in the unemployment rate to 3.4% demonstrated strength in employment. However, the Conference Board's Index of Leading Economic Indicators declined 6% year-over-year. Corporate earnings, especially among the largest firms, have been disappointing. Market participants continue to be heartened by decreases in inflation measures. Housing, a leading indicator, is slowing as the lagged impacts of higher mortgage rates become more keenly felt.

The Federal Reserve Board announced a 25 basis point, or ¼ of 1% increase, in the short-term Federal Funds rates to 4.75%. The market anticipated this announcement. Last year, the Fed had maintained a pace of 75 basis points increases over the spring to fall, reduced the increase to 50 basis points in December, and now has ratcheted down the increase to 25 basis points. We expect one or two more increases of 25 basis points before a pause. The Fed could pivot to relyingmore on Hawkish speeches and less on additional interest rate increases.

Equity investors, bolstered by strong employment and hopeful inflation reports, pushed up stock prices both in the U.S. and internationally. Fixed Income markets also had positive returns in January, as measured by both the Bloomberg U.S. Aggregate Bond index and the Bloomberg Municipal Bond index.

Moving from Wall Street to Washington, D.C., both political parties met last week to begin discussions on increasing the debt limit for the U.S. This was encouraging. We predict a heightened focus on this issue closer to late spring/early summer- as the U.S. is forecasted to be able to continue interest payments and bond redemptions until then.

Abroad, an increase in the severity of the Ukrainian conflict is likely, and last week, the appearance of a Chinese surveillance balloon over the U.S.,highlighted ongoing and increasing Sino-U.S. tensions.

For the balance of February, we expect the market to focus on Fed speakers, earnings, and additional geopolitical events.

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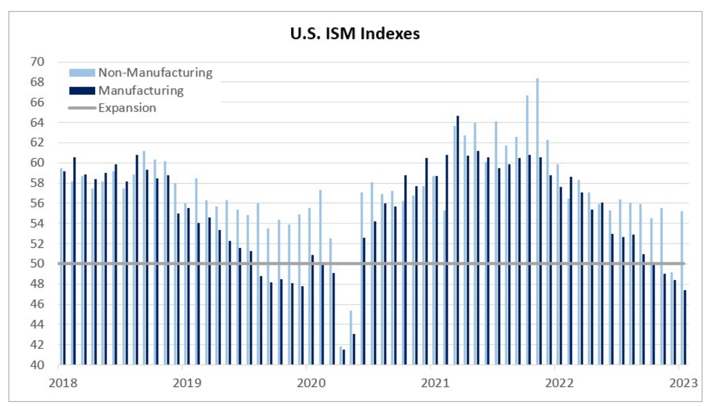
Bloomberg; U.S. indices from Russell and world indices from MSCI



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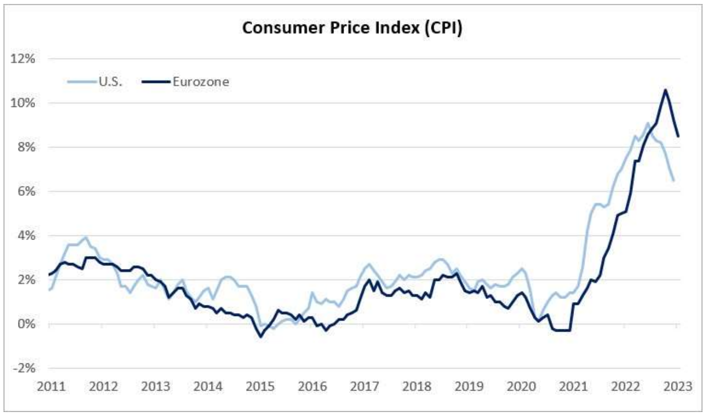
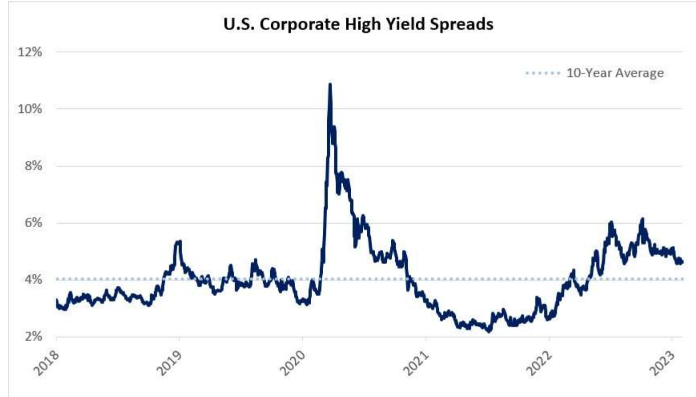


U.S. Bureau of Labor Statistics



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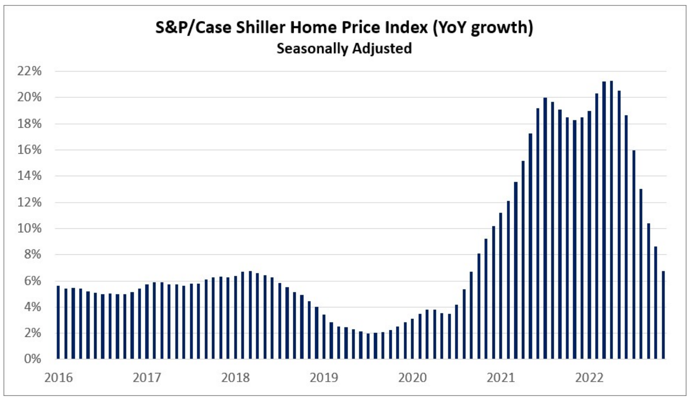
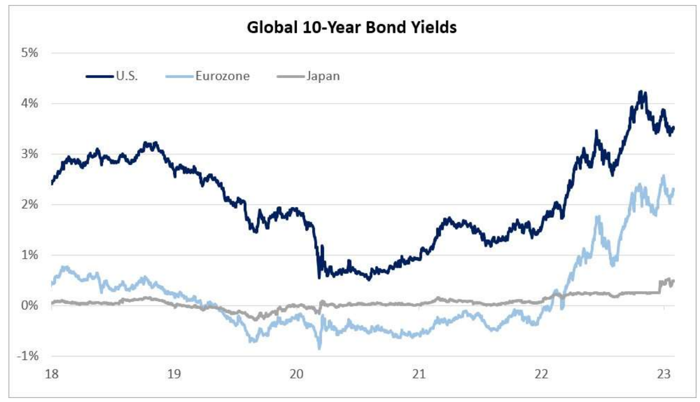


S&P / Case Shiller



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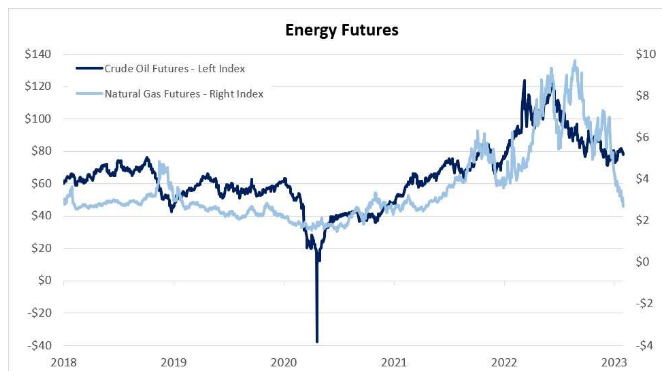

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