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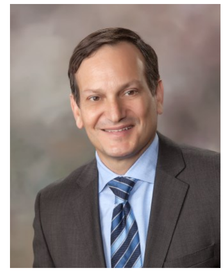

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Michael's Musings

June 30, 2023

U.S. MARKETS	LAST	% CHG Q	% CHG YTD	% CHG vs. HIGH	50 Day M.A.	200 Day M.A.
Dow Jones	**34407.60**	**3.41%**	**3.80%**	**-6.89%**	**33624**	**32914**
Dow Jones Transports	**15529.77**	**7.56%**	**15.96%**	**-8.86%**	**14246**	**14001**
Dow Jones Utilities	**906.66**	**-3.53%**	**-6.28%**	**-14.28%**	**928**	**938**
S&P 500	**4450.38**	**6.96%**	**15.91%**	**-7.64%**	**4226**	**4002**
S&P 400 Midcap	**2622.34**	**4.39%**	**7.90%**	**-10.38%**	**2494**	**2478**
S&P 600 Smallcap	**1216.35**	**2.90%**	**5.08%**	**-17.67%**	**1161**	**1180**
NASDAQ	**13787.92**	**12.81%**	**31.73%**	**-14.95%**	**12815**	**11638**
NASDAQ 100	**15179.21**	**15.16%**	**38.75%**	**-9.46%**	**14002**	**12363**
Russell 2000 (Smallcap**)**	**1888.73**	**4.79%**	**0.86%**	**-23.19%**	**1803**	**1813**

			Treasury Yield Curve	
Prime Rate	**30 Yr. Jumbo**	**90-Day T-Bill**	**10-Yr. T-Note**	**30-Yr. T-Bond**
825.00%	**7.01%**	**4.870%**	**3.810%**	**3.850%**

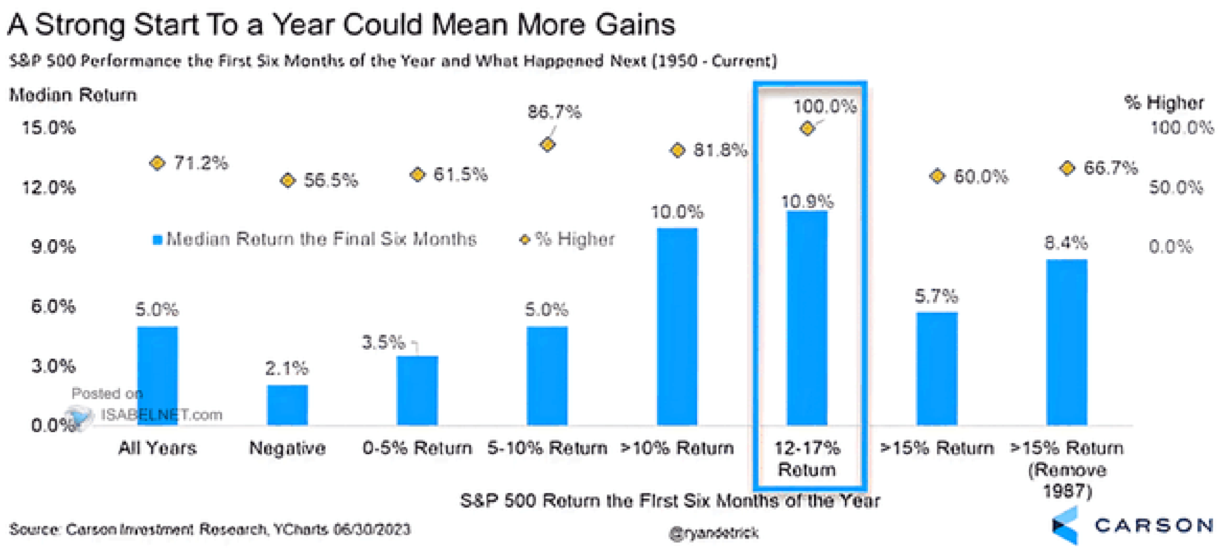
THE EQUITY MARKET—Bulls Resurgent, Bears Depending On Hope For A Trade

The quarter ended on a strong note, with the major indices up nicely year-to-date. The S&P 500 rose 7% in the quarter for a 15.9% year-to-date return. The NASDAQ put in a 12.8% quarterly return for a blow-out 31.7% year-to-date return. The Midcaps and the Smallcaps lagged, but have been playing a little catch-up recently.

We've gone from the FAANG+ acronym to what is now being called the Magnificent Seven. If you've owned the S&P 500 or the NASDAQ Composite or NASDAQ 100, then these seven stocks have accounted for most of the gains, representing a 55% weighting in the NASDAQ 100. They are Meta, Apple, Amazon, Alphabet (Google), Microsoft, Nvidia and Tesla. Their combined market capitalization is around $11 trillion, which to put in perspective is nearly triple the GDP of Germany. The NASDAQ has announced that there will be a rebalancing of the index before the open on July 24th, to "address overconcentration in the index by redistributing the weights. These changes will be announced on Friday, July 14th. The NASDAQ has only conducted a special rebalance twice in its history, December 1998 and May 2011. The driving force accounting for their performance this quarter has been their association with Artificial Intelligence.

THE EQUITY MARKET (cont.)

Let's turn our attention to what the second half may hold in store based on what happened in the first half, which was the best since 1983 for the NASDAQ and since 2019 for the S&P 500. Since the 1950's, when the S&P 500 has risen over 10% through June, it has risen by a median of 10% over the balance of the year. The past 11 times this has happened, the next 6 months were higher every single time. It's important to note that the DJIA ended the second half up only 3.8% and bonds as measured by the Bloomberg US Aggregate Bond Index were up 2.09%, so make sure you're using the right measuring stick to compare your results.



One other positive note is that if you have a contrarian streak, and I most certainly do, then you have like the fact that Wall Street strategists are almost universally negative for the second half, perhaps the most bearish on record. Does it get any better? The past four times this has happened, this was the result.

1999=7%
2019=9.8%
2020=21%
2021=10.9%
2023=?
Long-term investors should stay the course. We have maintained all along that the lows were put in October 2022 and that we are in a bull market, not a bear market rally.

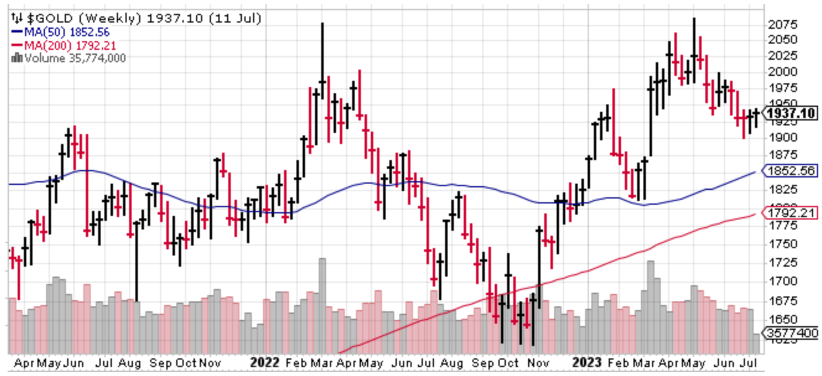
THE BOND MARKET:

Stocks have significantly outperformed bonds as interest rates have risen, yet over the last quarter we saw individuals adding to bonds while taking money out of stocks. The Fed paused at their last FOMC meeting to assess the data and the progress they have made, but were clear that it didn't signify a halt. As we approach the July FOMC meeting, the bond market is handicapping the odds of another rate hike at over 90%. It's difficult to see how stocks would not be favored over bonds in this environment. We have suggested for the past few years that investors who need to own bonds keep durations short and we continue to think that is prudent.

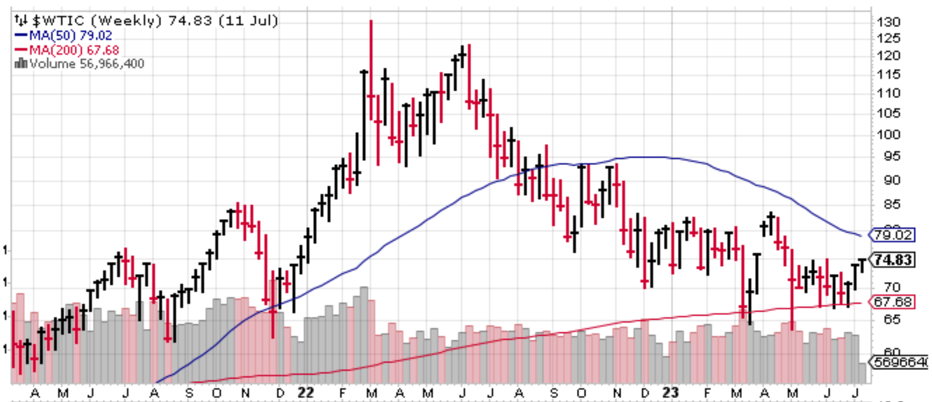
COMMODITIES

So far this year commodities have traded sideways in a broad trading range that seems to be narrowing. The CRB Index began the quarter at 267.73 and ended the quarter at 261.99.

Precious Metals had a first quarter rally and then peaked and trended down in the second quarter.



The real commodity focus has been on WTI Crude Oil which has vacillated above and below $70/bbl depending on whether demand destruction or supply cuts were the focus. As we write, WTI has moved back into the mid-$70’s as the focus seems to be on the likelihood of demand building as supplies remain tight.



Charts Courtesy of StockCharts. com

CONCLUSION:

We continue to believe that the lows in the stock market were seen in October 2022 and that we are in a bull market. The bears hold onto hope that this has been a bear market rally, but that hope is quickly waning as the Dow Industrials and the Dow Transports rise in tandem, giving a classic Dow Theory confirmation of a bull market. We believe the Dow Industrials and the Dow Transports are likely to make new all-time highs in the second half. While we believe some consolidation would be healthy for the S&P 500 and the NASDAQ, we believe they are likely to trend higher over the course of the year, too. We believe that more aggressive investors should begin to increase weightings in the Smallcaps and Midcaps, which we expect to see play some catch-up to the senior indices.

Sincerely,

Michael Jones

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Our goal is to offer services to several other clients just like you! We would be honored if you would:
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Have them come in for a complimentary initial meeting.

Please call Rhiannon Spencer at (815) 391-6000 and we would be happy to assist you!

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