CWP | PRIVATE WEALTH MANAGEMENT

**April 2023**

**Monthly Market Commentary**

For those that participated in March Madness, we hope that your picks turned out in your favor! March Madness always helps the month of March cruise right along, which brings us to April. Summer is right around the corner, and we can't wait for the nice warm weather to be here. We would like to wish you and your family a Happy Easter! As always, we wish you all health and happiness in 2023!

The first quarter of 2023 ended on a positive note with most asset classes posting positive performance globally. Markets have taken comfort in the swift action taken by policy makers to bailout a few banks on the brink of bankruptcy due to deposit flight and also providing an assurance to depositors beyond FDIC insured limits to curtail further run on banks. Bailouts now seem to be a given and are only a matter of when vs why!

Managing interest rate risks should be one of the core tenets of running a bank; however, after the recent events, it seems like people running the banks were clearly not paying attention to imminent risks. When rates rise at the pace they have in the last year or for that matter at any rate, paying a competitive deposit rate to savers should be a good faith practice for banks. If they don't, they are at the risk of losing these depositors in search of alternatives like T-bills that pay a higher yield with similar risk levels.

Constant government interventions in a capitalist system are not a good strategy as it distorts price discovery, encourages bad actors, creates complacency, and forces others to abandon disciplined capital allocation. The crisis policy makers try to solve are often a by-product of their own interventions like creating excess liquidity well past the Covid crisis that led to an inflation problem. To curtail inflation, they unleashed one of the fastest interest rate tightening policies in history, which is in part responsible for the current banking crisis. These actions enhance speculative behavior and never resolve core problems in the financial system. Both the economy and earnings continue to slow, and valuations still remain elevated, which warrants a cautious approach to risk allocation vs hoping for the next government bailout.