



"POWER TO THE PEOPLE"

The first quarter of 2023 saw continued stock market strength that began in October 2022. U.S. stocks returned 7.5%¹ while international stocks rose 6.9%² during the first three months of 2023. The U.S. bond market benefited from yields falling and was up 3.0%³ for the quarter. This performance for the quarter is coming off the heels of one of the worst years for a balanced investment portfolio since the global financial crisis.

As we look at the overall macroeconomic environment, we remain focused on the fallout from the current global banking crisis. We expect there to be more market uncertainty surrounding bank capital levels, uninsured deposits and impending troubles regarding commercial office real estate. While the Federal Reserve and U.S. Treasury have taken some measures which kept this crisis from escalating into a much bigger issue, the fact remains that there will be consequences of tightening loan growth and further deposits shifting to banks considered "too big to fail". The Federal Reserve's continued rate hiking has resulted in a large spread between the rates deposits receive and the yield on money market mutual funds. We don't see this subsiding anytime soon thereby putting pressure on banks to maintain their deposits by either paying higher interest or utilizing more expensive liquidity sources.

While credit availability is an important driver of business health, the key component we're focused on is the health of the consumer, or as we refer to it the "power to the people". Despite the impact of interest rate increases on housing demand, the consumer remains resilient and continues to show strength. With unemployment close to all-time lows and wage growth at healthy levels, we anticipate consumer spending will remain robust. Furthermore, debt payments as a percentage of disposable income are estimated to be at 9.8%⁴ — providing plenty of cushion for the consumer.



INVESTMENT SERVICES
REPORTING SERVICES
CONSULTING SERVICES

ABOUT OUR FIRM

We are dedicated to providing investment management and strategic wealth planning to Indian tribes and high net worth individuals. Simply put, we strive to be our client's trusted advisor.

As a financial advisory firm, our primary focus is to provide unbiased opinions that are designed to achieve long term investment results. FSA Investment Group does this with the highest levels of trust, integrity and respect while always collaborating using a team approach. We are dedicated to professionally supporting, educating, and providing informed direction to each and every client.



The Federal Reserve has raised its benchmark interest rate by 4.75% over the last 12 months, but there is typically a lag between monetary policy and the impact it has on the overall economy. The Fed is attempting to lower inflation by balancing supply and demand using interest rate policy to ease financial imbalances. This is a difficult process and one that typically results in over-tightening (raising rates too far), until something breaks. Using Chairman Powell's words, "We don't have precision surgical tools. We have essentially interest rates, the balance sheet and forward guidance. They are famously blunt tools, they are not capable of surgical precision." We are mindful of this statement and always looking to see where the next risk lies.

As always, we will keep a watchful eye on the markets while maintaining a long-term perspective to ensure our clients achieve their goals. Our data dependent approach is designed to help us sift through what is important and what is noise. Ultimately, we believe that this approach helps to reduce our biases and focus on the true drivers of investment returns.

Thank you for your continued trust in FSA Investment Group. Stay safe, and please let us know if you have any questions.

Respectfully,

A handwritten signature in black ink that reads "Andy Webb".

Andy Webb
Chief Investment Officer

A handwritten signature in black ink that reads "Brett Akers".

Brett Akers
Director of Investments

1 U.S. Stocks refers to S&P 500 Inde

2 International Stocks refers to MSCI All Country World Ex U.S. Index

3 Bond Market refers to Bloomberg Barclays Aggregate Bond Index

4 J.P. Morgan Asset Management Guide to the Markets for 2Q23



Disclosure:

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