

Monthly Market Commentary

Hello Spring! Around this time of year baseball is in full swing, March Madness has played out, and families start spring cleaning in anticipation of summer. As the weather starts to warm, take time to go outside for a walk and enjoy the fresh air, play some bags with family and friends, and get the grill going! We would like to wish you all a Happy Easter!

Both equities (stocks) and fixed income funds (bonds) registered losses for the first quarter as positive correlations among asset classes and elevated volatility dominated the quarter. Markets reflected concerns around rising inflation, particularly influenced by a more aggressive tone from the Federal Reserve (FED) as well as reduced global growth expectations. In addition, geo-political tensions flared in an already fragile market contributing to panic repositioning in risk assets. Fortunately, asset markets globally pared some losses by the end of March after a rocky start to the year, which still was the worst quarterly performance since the Covid pandemic.

As we progress through the year, taming inflation remains one of the biggest concerns for policy makers. Despite a shift in FED policy, markets continue to signal that the FED is behind the curve with respect to the tightening cycle. While typically inflation increases due to strong demand, the current rise is compounded by supply chain issues. The FED must respond carefully to avoid undesirable market outcomes. Hence, curtailing it needs policy to cause some demand destruction to control runaway inflation. The ramifications of this response to inflation will certainly weigh on future economic growth that indirectly flows through into company margins and earnings. Despite some rapid price appreciation in the recent correction, valuations and margins remain elevated. With the current backdrop, we believe, it's prudent to stay cautious and maintain a defensive allocation until we see further de-rating and earnings revisions to better reflect fundamentals and liquidity conditions.

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