Marketline April 2023

Stocks:

April was a relatively bullish month despite its volatility. Wednesday April 26th, we hit the low of the month at 4056 on the S&P; just two days later, we closed at the high for the month. The turnaround was thanks to decent earnings – a prime driver of stock returns. Even the banks chimed in with solid results. Overall, we saw a return of 2.5% on the Dow, 1.5% on the S&P, and for once, a miserly 0.4% on the NASDAQ. Like all averages, however, it's important to look under the hood: the NASDAQ index return hid the fact that larger tech companies like Microsoft and Apple saw robust returns in April.

Overseas, returns were even stronger – and more uniform. Canada's market saw a rise of 2.7%; Mexico pulled off 2.3%, and over in Europe, which skated on the recession question by a hair in Q1, prices rose 3.1%. For the first time in many years, overseas stocks are besting US indices. If the US dollar continues its downward trajectory, that difference will become even more stark.

In keeping with our comment last month that it's better to be on the side of winners than losers in the political landscape, we stumbled across a new stock that we were able to add to our buy list. Carrier Global is a heating/cooling/fire/security company. It sells home equipment as well as larger installations. The stock has fallen from the high \$50s in 2021 to about \$42 now. While we initially performed the due diligence when the price was about \$45, we pined for a lower price, and obligingly, just a few days later, the company announced an acquisition that knocked the shares back another few points. As we've said in the past, price matters. Meanwhile, Carrier stands to benefit from money flowing to retrofit all manner of structures for improved efficiency – from kindergarten classrooms to industrial buildings, both in the US and overseas. Carrier is one of a string of industrial-type companies that have attracted us lately – including Ball Corp and Sonoco (packaging). There's something about those nuts and bolts of the economy lately!

Bonds:

The bond market is experiencing vertigo thanks to the crosscurrents of bank failures, a US Treasury that has essentially bumped against its debt ceiling, and the Fed's relentless campaign to cause a recession. A sense of the weirdness is imparted when we look at thirty-day Treasury yields. At the beginning of the month, this yield was about 4.09%; then it fell to 3.25% by 4/21 but closed April 28th at 4.05%. That's uncommon volatility for a short term yield inside of a month, particularly when every other short yield headed in the opposite direction: firmly upwards. Treasury is under-issuing the thirty-day bill, as it attempts to cash-manage its way farther along without a hike in the debt ceiling; that under-issuance combined with continuing demand has caused this security to gyrate in exceptional fashion.

Meanwhile, the long bond closed at 3.67%, just a jot off March's close. So once again, we saw short interest rates rise, while the long end slumbered. Most investors expect the Fed to hike interest rates at the next meeting in May, bringing Fed Funds to 5.25%. Will the long bond rise or fall as a result? The answer probably depends on Powell's commentary – and that commentary will most certainly include a note about First Republic Bank which is in failure mode as we write this on a Friday – marking another unsavory notch on the Fed's belt.

We have been musing about whether we could re-enter a period of stagflation: low or no growth, but high inflation. Day by day, this outcome looks more likely. Stay tuned for more on this topic, most likely in our blog.

*Marketline Monthly is produced by **Cascade Investment Advisors, Inc**. We specialize in value investing for individuals. We apply our approach across markets, looking for low-priced securities that offer above-average potential. We use imagination and hard work to bring performance and personal service to our clients. Phone 503.703.3622 (Michelle); our website is **www.cascadeinvestors.com**. A full list of securities we invest in is available on request; mention of specific securities is not investment advice; such investments may or may not be profitable. Index returns quoted are price only.*