

Weekly Market Commentary

March 06, 2023

The Markets

Sibling discord.

Stocks and bonds are two of the better-known asset classes in the family of potential investments. Last week, they were in opposition.

Bond yields have been moving higher in anticipation of the Federal Reserve raising rates again. For a while last week, every maturity of Treasury – from the 1-month Treasury bill to the 30-year Treasury bond – boasted a yield above 4 percent. Some shorter-maturity Treasuries yielded more than 5 percent.

When bond rates move higher, borrowing becomes more expensive for companies. As the cost of doing business rises, the outlook for company earnings tends to moderate, pushing stock prices lower. (Companies in the financial industry are often an exception because financial companies often benefit from higher rates.)

In addition, higher bond yields may lead to lower stock prices as investors who seek income, and prefer to take less risk, move some assets from stocks to bonds. For example, more conservative investors who have held dividend-paying stocks to help achieve retirement income goals might choose to move some assets into bonds.

“Rising Treasury yields can make stocks less appealing because they allow investors to park money in instruments that now earn an attractive return...investment grade bonds saw inflows for 10 consecutive weeks...the longest streak since October...,” reported Isabel Wang of Morningstar.

Like a younger sibling who refuses to follow the lead of an older brother or sister, stock markets ignored rising bond rates last week. It’s difficult to know which one is on the right track, which makes being selective more important, according to Carleton English of *Barron’s*.

“This is no longer a black-and-white, buy-or-sell stock market. The era of ‘There is no alternative’ to growth-oriented tech stocks is in the rearview mirror, and both stocks and bonds offer compelling opportunities, if you pick the right ones.”

Major U.S. stock indices finished higher, ending a three-week losing streak.

Data as of 3/3/23	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	1.9%	5.4%	-7.3%	10.4%	8.3%	10.3%
Dow Jones Global ex-U.S. Index	1.7	5.4	-7.1	2.7	-0.2	2.0
10-year Treasury Note (yield only)	4.0	N/A	1.8	1.0	2.9	1.9
Gold (per ounce)	1.7	1.6	-4.6	4.5	6.9	1.6

Bloomberg Commodity Index	2.6	-4.0	-11.9	14.0	4.1	-2.2
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S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

THE POWER OF SUNSHINE. If you're worried about the possibility of dementia, make sure you're topped up with vitamin D. That's the finding of an ongoing study from the University of Calgary's Brain Institute in Canada, the University of Exeter in the United Kingdom, and the U.S. National Alzheimer's Coordinating Center.

More than 12,000 people participated in the study. The average age of participants was 71, and none had dementia when the study began. Slightly more than one-third of participants received vitamin D supplements. Researchers noted:

"...taking vitamin D was associated with living dementia-free for longer, and they also found 40 percent fewer dementia diagnoses in the group who took supplements...While Vitamin D was effective in all groups, the team found that effects were significantly greater in females, compared to males. Similarly, effects were greater in people with normal cognition, compared to those who reported signs of mild cognitive impairment – changes to cognition which have been linked to a higher risk of dementia."

Vitamin D is known as the sunshine vitamin. When you walk outside on a sunny day, ultraviolet rays from the sun interact with chemicals in your skin to produce the vitamin. The amount you produce depends on a variety of factors, including where you live, the time of day you're outside, and your pigmentation, reported the Mayo Clinic.

About one billion people around the world are deficient in vitamin D. That number includes about 35 percent of the U.S. population. In the U.S., people who are older than age 65 and people who have darker skin are more likely to experience vitamin D deficits, according to the Cleveland Clinic.

Having too little Vitamin D can be a significant health issue because it may play a role in preventing cancer, multiple sclerosis, psoriasis, bone softness, muscle weakness, and osteoporosis. As people become more aware of the importance of vitamin D, the market for supplements is expected to grow.

Weekly Focus – Think About It

"The first wealth is health."

—Ralph Waldo Emerson, *essayist and philosopher*

Best regards,

Heritage Capital Advisors, LLC

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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- * Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- * Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- * All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- * The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
- * Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
- * Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
- * Past performance does not guarantee future results. Investing involves risk, including loss of principal.
- * The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
- * There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
- * Asset allocation does not ensure a profit or protect against a loss.
- * Consult your financial professional before making any investment decision
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Sources:

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