Weekly Market Commentary
April 24, 2023

The Markets

Better than expected.

It's earnings season – the time when publicly traded companies report on how profitable they were during the first quarter of 2023. So far, reports suggest that companies listed on United States stock exchanges did better than many had anticipated. Almost 20 percent of companies in the Standard & Poor's 500 Index have reported and three-out-of-four have exceeded earnings expectations, reported John Butters of FactSet.

"At any given moment, earnings expectations reflect everything that's happening in the world, from the economy and the Federal Reserve to interest rates and geopolitics. Right now, most of the fear stems from expectations about the economy. The Fed has lifted interest rates to tamp down inflation by reducing economic demand, and so far, that seems to be working. The rate of inflation has been cut almost in half from its post-COVID peak, but growth is slowing with it...And since higher rates operate with a lag, the full effects of the rate hikes probably haven't been felt yet, raising the possibility of a recession," reported Jacob Sonenshine of *Barron's*.

Banks were among the first companies to report on earnings, and the news reassured investors who were concerned about financial stability after the collapse of three regional banks. Despite contributing $30 billion to bailout a regional bank, big U.S. banks generally reported healthy results and higher interest income in the first quarter, reported Max Reyes of *Bloomberg*.

The banks still face significant challenges. Loan delinquencies have been rising from historic lows as the pandemic policies have come to an end. The four largest lenders in the United States saw a 73 percent increase in consumer loan defaults and have significantly increased the assets set aside to cover loan losses.

Last week, many major U.S. stock indices finished the week close to where they started it, according to *Barron's*. Yields on U.S. Treasuries generally moved higher before retreating a bit.

Data as of 4/21/23	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.1%	7.7%	-5.9%	14.7%	9.1%	10.2%
Dow Jones Global ex-U.S. Index	-0.7	7.4	-3.8	9.2	0.0	2.1
10-year Treasury Note (yield only)	3.6	N/A	2.9	0.6	3.0	1.7
Gold (per ounce)	-2.3	8.9	1.5	5.5	8.3	3.3
Bloomberg Commodity Index	-2.1	-6.4	-19.6	21.1	3.4	-2.2

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.

POWER OUTAGE? THERE'S A HYBRID FOR THAT. In recent years, storms have led to lengthy power outages in many parts of the United States. When ice storms knocked out the Texas power grid in the winter of 2021, some people relied on generators to supply their energy needs. Others turned to hybrid trucks, reported Paul Eisenstein of NBC News.

One hybrid truck owner in Texas purchased the optional generator feature, thinking he would use it when camping or to fire up power tools in remote areas. Instead, after the storm hit, he hooked the vehicle up to his house. For three days, it “provided enough energy to handle a refrigerator, a freezer, lights, the cable and internet box and a television.”

When the supply of generators ran low, one U.S. truck manufacturer asked its Texas dealerships to lend any hybrid trucks they had in stock to people who needed power.

Hybrid trucks that double as generators is just one example of innovation in the auto industry.

“The $4 trillion automotive industry is going through three big transformational changes at once. Two of those – the rise of electric vehicles and the gradual emergence of autonomous driving – have attracted most of the attention. But the third one could be more powerful still: Cars are becoming computers on wheels,” explained Eric Savitz of *Barron’s*.

There are more lines of code in automobiles than there are in jumbo jets, according to a C-suite executive at a semiconductor firm who was cited by *Barron’s*. In fact, automakers have been scooping up workers laid off by technology companies to help develop branded software.

Not too far in the future, it’s possible that drivers will be loyal to vehicle brands in the way they are to mobile phone brands. When drivers change brands, they’ll have to learn a new system – and that could give industry leaders a competitive advantage.

Weekly Focus – Think About It
“There are not more than five musical notes, yet the combinations of these five give rise to more melodies than can ever be heard. There are not more than five primary colors, yet in combination they produce more hues than can ever been seen. There are not more than five cardinal tastes, yet combinations of them yield more flavors than can ever be tasted.”

—Sun Tzu, 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.

* 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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