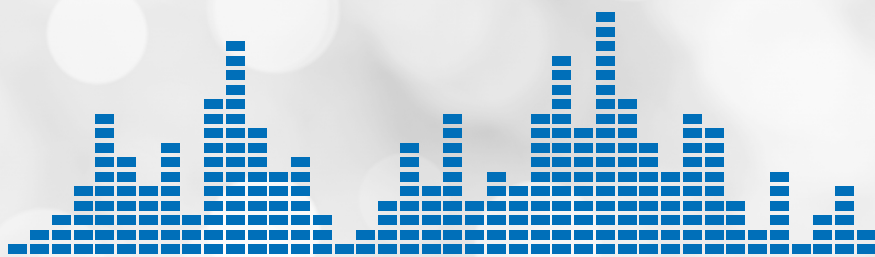




A Strong Economy Prevails in February

MARCH 2023



After a strong January start to 2023, all major stock and bond indices experienced slight declines in February. The S&P 500 Index fell 2.4% and the technology-heavy NASDAQ Index fell 1% for the month. Even with February's decline, the year-to-date returns for the S&P 500 Index and the NASDAQ remain positive.

In February, growth equities outperformed value-oriented stocks. When comparing the two types of larger companies for the month, the Russell 1000 Growth Index declined only 1.2%, while the Russell 1000 Value Index fell 3.5%.

Out of the 11 S&P 500 sectors, only one increased in February. With a modest 0.5% gain, information technology stocks topped the monthly sector performance after climbing 9.3% in January 2023. The worst performing sector in February was energy, with a decline of 7%.

The annual inflation rate is continuing to slow, dropping slightly to 6.4%¹ in January 2023. With inflation remaining well above the targeted 2% rate, the Federal Reserve will likely raise interest rates by another 25 basis points at its March meeting. The federal funds rate is currently 4.5% to 4.75%, the highest since October 2007.

With rising interest rates, bond yields climbed higher. As of the end of February, many banks were offering high-yield savings accounts with an annual percentage yield above 4%.² By comparison, the dividend yield on the S&P 500 is approximately 1.7%³.

A strong labor market is continuing to fuel economic growth. The unemployment rate remains steady at 3.4%⁴—an over 50-year low, and the resiliency in the labor market is sustaining consumer spending. Personal spending, which accounts for more than two-thirds of the U.S. economy, increased 1.8% in January from the prior month—the largest increase in almost two years.⁵

Although the U.S. economy remains strong, stocks continue to experience volatility as markets expect more interest rate increases by the Fed.

During periods of market weakness, we encourage investors to focus on their long-term goals. Maintaining a diversified portfolio can help reduce risk and achieve an appropriate level of return over time.

As always, Buska Wealth Management is here to help you meet your financial goals.

That's our February market update.

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¹U.S. Bureau of Labor Statistics ²MarketWatch ³S&P Dow Jones Indices ⁴U.S. Bureau of Labor Statistics ⁵Trading Economics

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