Market Commentary

June 2023

- Risk-on assets, including technology stocks and small-cap stocks, saw positive returns this past month as some dovish sentiment from the Fed helped buoy markets.
- While strong economic data releases continue to tamper recession fears, the risk of further hikes rises simultaneously.
- In mid-June, the Fed held interest rates steady for the first time since March 2022. The move follows 10 consecutive instances when the central bank hiked its benchmark rate.

MARKET RETURNS AS OF JUNE 30, 2023[1]

	June %	QTD %	YTD %	1 Year %	3 Year %	5 Year %
S&P 500 TR	6.61	8.74	16.89	19.59	14.61	12.31
DJ Industrial Average TR	4.68	3.97	4.94	14.23	12.31	9.59
NASDAQ Composite TR	6.65	13.05	32.32	26.14	11.95	13.93
Russell 2000 TR	8.13	5.21	8.09	12.31	10.83	4.21
MSCI EM GR	3.89	1.04	5.10	2.22	2.72	1.32
MSCI EAFE GR	4.58	3.22	12.13	19.41	9.48	4.90
Bloomberg US Agg Bond TR	-0.36	-0.84	2.09	-0.94	-3.97	0.77

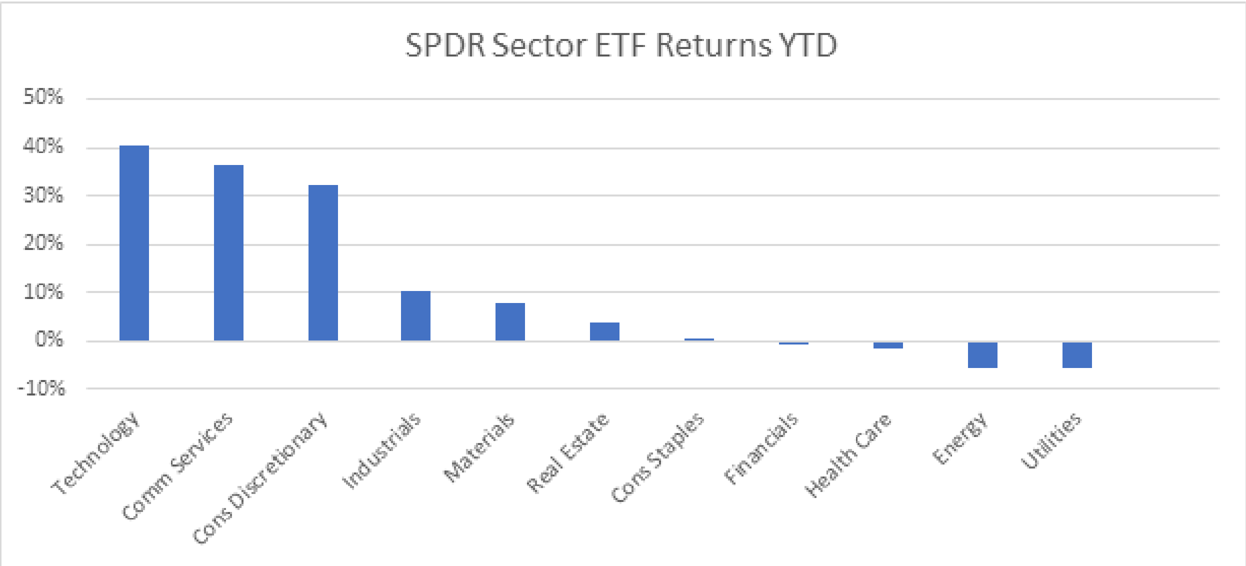
MARKETS

The Russell 2000 Index, a primary benchmark for small-cap stocks, returned 8.13%, the Nasdaq Composite Index returned 6.65%, and the S&P 500 Index returned 6.61% during the month. Bonds, as measured by the Bloomberg US Aggregate Bond Index, were flat for June.

FAANG stocks (Facebook aka Meta, Amazon, Apple, Netflix, Google) lead the charge this year and continued their impressive performance during the month of June.

The markets typically divide the investable universe into various sectors. Global Industry Classification Standard (GICS) is a well-known framework that helps investors understand key business activities by assigning companies to a relevant sector. Sectors include Energy, Materials, Industrials, Consumer Discretionary, Consumer Staples, Health Care, Financials, Information Technology, Communication Services, Utilities, and Real Estate.

The communication services, consumer discretionary, and technology sectors have been strong performers in 2023, largely due to the composition of their holdings. Facebook (Meta) and Alphabet dominate the communication services sector (XLC) with around 50% of the fund, while Amazon and Tesla make up about 40% of the consumer discretionary sector (XLY). Microsoft and Apple account for nearly half of the technology sector (XLK). Year-to-date, the communication services sector ETF (XLC) has risen by 36.35%, the consumer discretionary sector ETF (XLY) has returned 32.16%, and the technology sector ETF (XLK) has seen positive gains of 40.37%.



Source: Morningstar as of June 30, 2023

Generally, in order to peg a market rally as the emergence of a new bull market, investors will look for the breadth of a rally to extend beyond just the market's largest names in terms of market capitalization. It is not yet evident that we are seeing a market where all participants are benefiting but rather, a small (but mighty) subset of the market is still dominating the outperformance.

Investors who overextend their exposure to equities beyond their historical limits may risk being caught off guard in the event that the market turns.

THE FED AND RATES

For the first time since March 2022, the Fed decided to hold rates steady at their mid-June meeting. This follows 10 consecutive meetings where the central bank raised interest rates. While at face value this appeared to be a dovish move by the Fed, Chairman Jerome Powell alluded to additional restrictions in the coming months.

The Fed meets next on July 25-26 and recent remarks from the Fed Chairman suggest that they are prepared to raise rates again.

The main concern for the Fed is the continued strength of the labor market. [Nonfarm payrolls in May]() increased by 339,000, which was better than expected. This marked the 29th straight month of positive job growth for the U.S. Although the unemployment rate rose to 3.7% in May, the labor force participation rate remained unchanged.

Additionally, [recent reports]() showed that purchases of new homes climbed to the fastest annual rate in more than a year, durable goods orders topped estimates and consumer confidence reached the highest level since the start of 2022. These data points not only reiterate that we are not currently experiencing a recession but suggest the likelihood of one in the near future remains low.

WHAT'S NEXT?

- **Avoid the fear of missing out (FOMO).** It is often difficult to not feel compelled to sell stocks when the market is down. And yet, it is equally challenging to steer clear of going all in when the markets are up. Rather, it is important to remember the many ups and downs of the markets and find specific opportunities to add to positions when the market pulls back. Staying the course has and will continue to be a more prudent strategy for long-term investors of many risk profiles and ages, as predicting the stock market in the short term remains a nearly impossible task.

- **Are you eligible for Roth 401(k) contributions?** [Many 401(k) plans offer the ability]() for employees to contribute post-tax to their 401(k) plans, in addition to the traditional pre-tax contributions. If there is a chance that your future tax bracket upon distribution will be higher than it is today, it may be worthwhile to begin contributing post-tax instead of pre-tax to your retirement savings. Remember to be aware of the current tax liabilities you would incur upon switching from pre-tax contributions to post-tax contributions.

- **Focusing on after-tax returns.** While performance metrics are incredibly important when evaluating new securities or models to invest in, it is also important to consider the after-tax returns of such investments. Depending on the situation, after-tax returns may differ dramatically. It is critical to take into account the vehicle that you are using when considering investments, as well as metrics that impact taxes such as turnover.

GeoWealth
444 N. Michigan Ave., Suite 3150
Chicago, Illinois 60611
312.219.9160
connect@geowealth.com

(913) 222-1460 | 8900 Indian Creek Parkway, Bldg. 6, Suite 220, Overland Park KS 66210

FOOTNOTES:

Investment advisory services offered by CreativeOne Wealth, a registered investment adviser. Past performance is no guarantee of future returns.

The graphs and charts in this commentary are for illustrative purposes only and not indicative of any actual investment. Index returns do not reflect any fees, expenses, or sales charges. It is not possible to invest directly in an index. Stocks are not guaranteed and have been more volatile than other asset classes. Historical returns were the result of certain market factors and events which may not be repeated in the future. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgement in determining whether investments are appropriate for clients.

This material is intended for information purposes only, and does not constitute investment advice, a recommendation or an offer or solicitation to purchase or sell any securities.

1. Data from Morningstar. Returns over one year are annualized.