

Market Insights



ALTA

CAPITAL MANAGEMENT

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Concentrated Performance

Not a broad-based rally in the S&P500



While the S&P 500 had a return of +7.5% in Q1, much of that performance was being driven by the top 20 mega and large cap stocks within the index. Mega and large cap stocks experienced a market capitalization change of almost +\$2 trillion, while the remaining 95% of the listed stocks in the S&P had a more modest +\$170 billion market cap change.

Money markets- good for short term

The shift towards bonds and treasuries

Year-to-date mutual fund and ETF inflows in billions of dollars

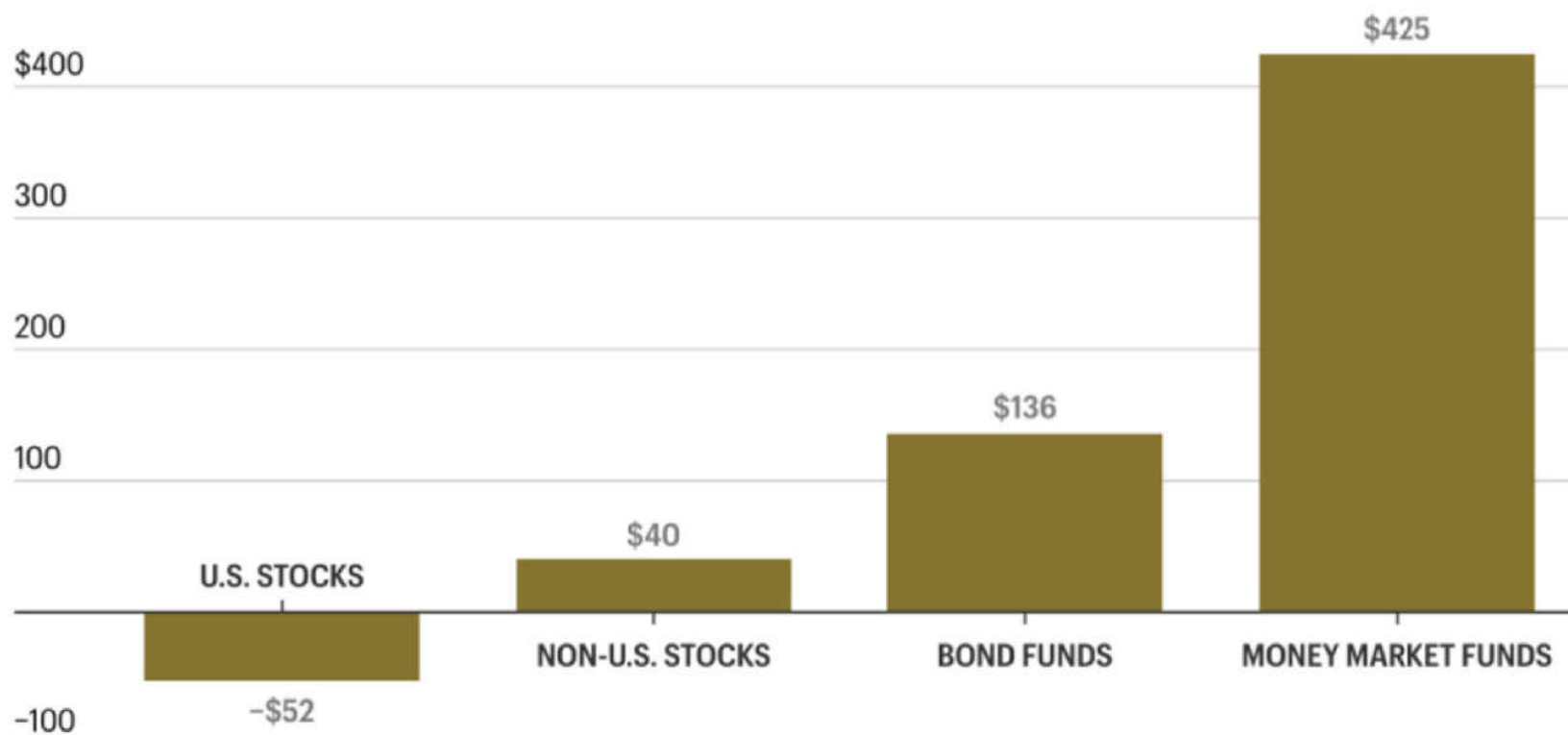


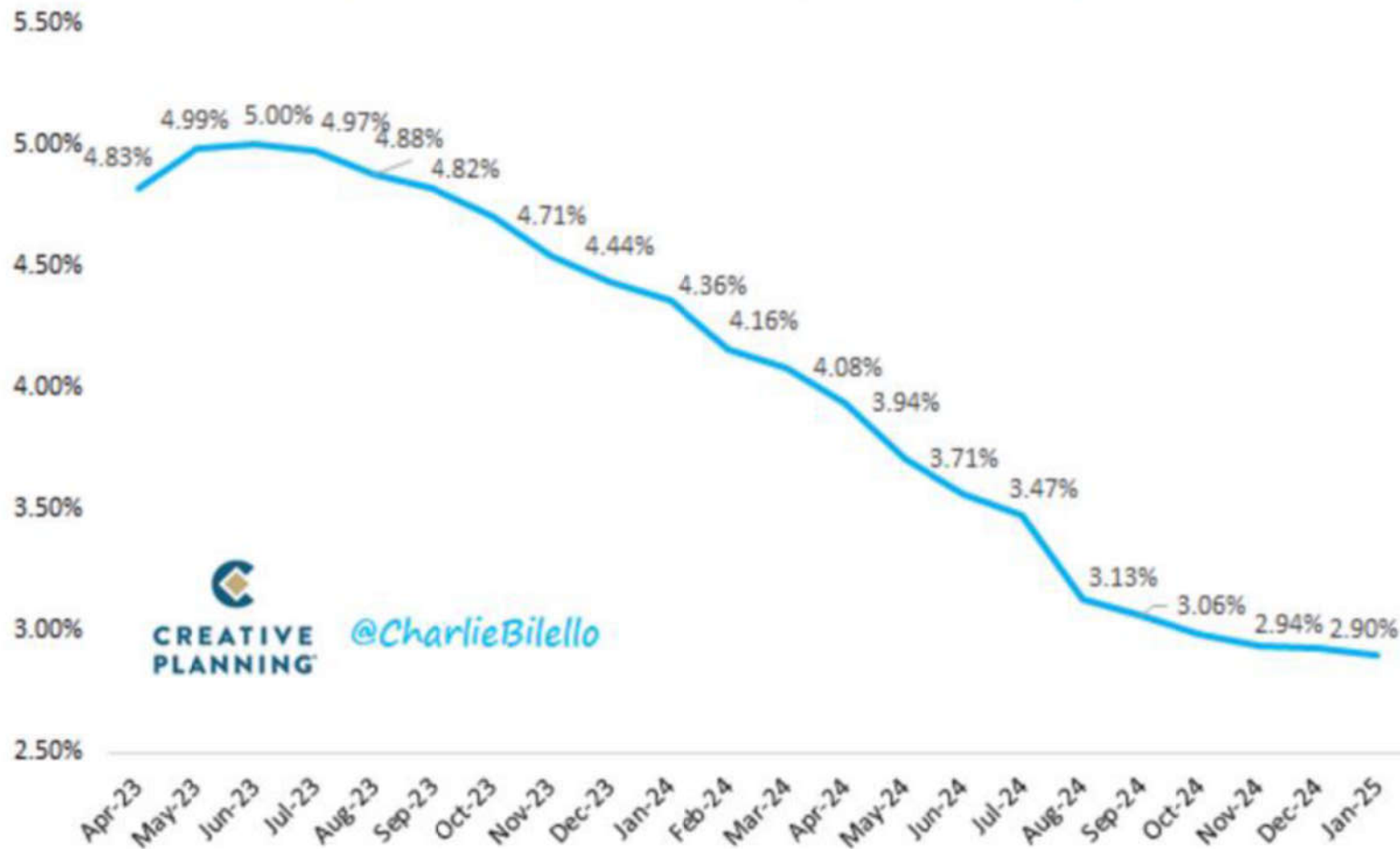
CHART: WILL DANIEL • SOURCE: GOLDMAN SACHS, EPFR

FORTUNE

The collapse of Silicon Valley Bank supercharged inflows into money market funds, as \$286 billion flowed in during a 2-week period in March. As the Federal Reserve has raised rates, the yield on money markets have become the most attractive since prior to the Great Recession, though as proven in Q1, their yield lag the performance seen across the wider US equity markets so far in 2023. While a liquid solution providing a secure yield, investors should be looking ahead beyond the short-term as yields are expected to come back down once the Fed moves out of its tightening cycle.

Ride to 3%

Market Expectations for Fed Funds Rate (Data via Fed Funds Futures, Apr 2023 - Jan 2025)

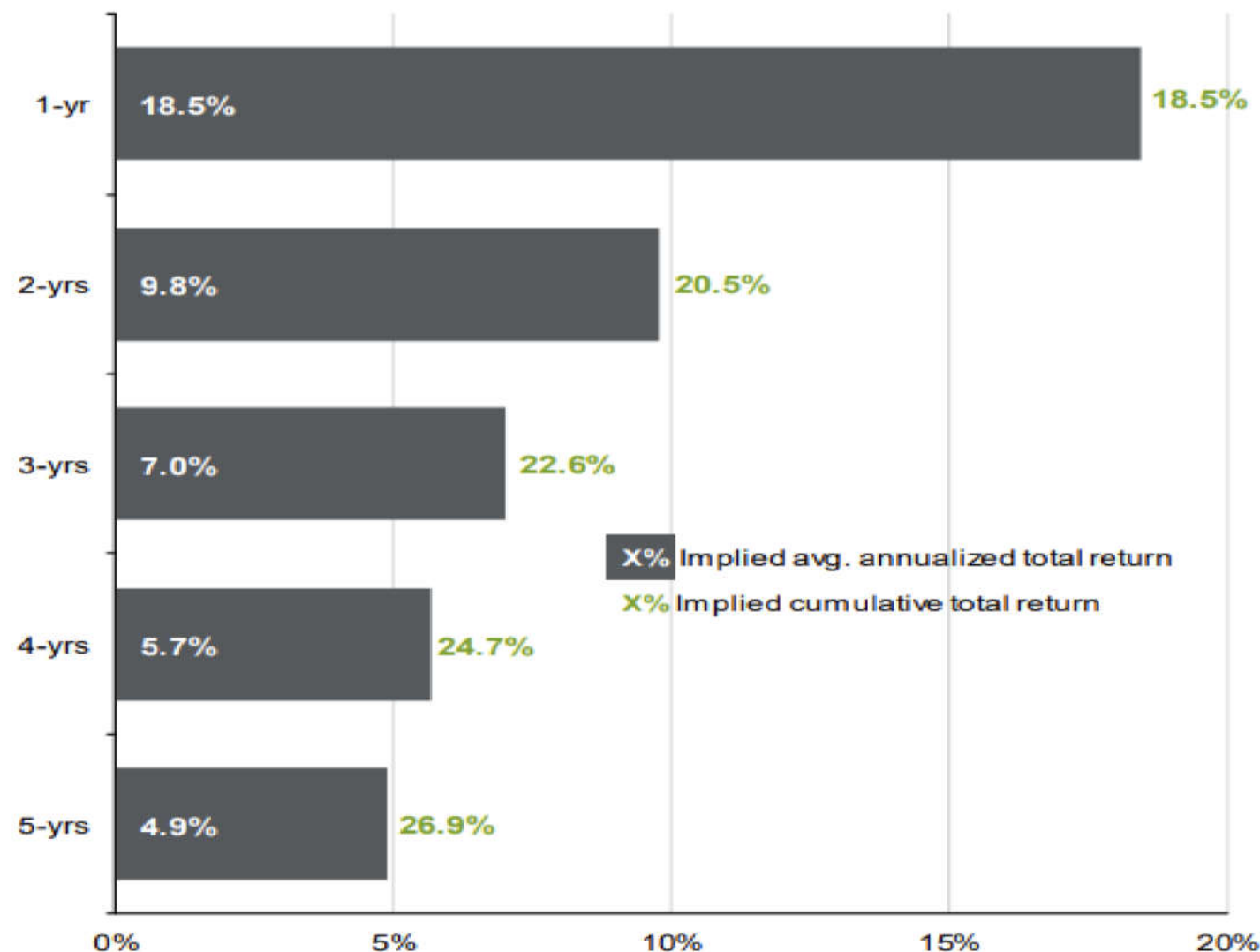


As we approach what is expected to be the peak fed funds rate in this tightening cycle, the market will shift to focus more on the Fed pivot and anticipated future rate cuts that are projected over the next 18 months.

Getting back to the top

Return needed to reach January 2022 peak of 4,797

S&P 500 level as of 3/31/2023 is 4,109

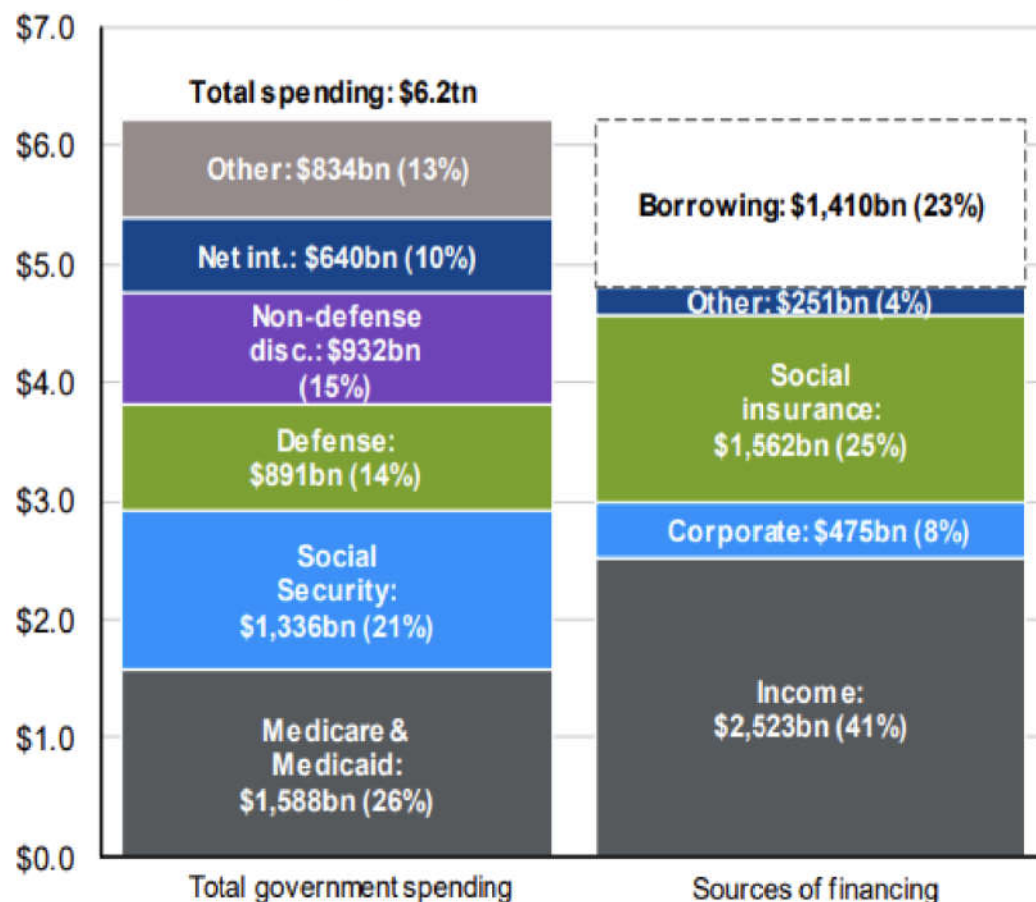


The S&P has traded rangebound so far in 2023, a welcome change from 2022. As we now are more than a year since the last peak of the S&P, what would it take to get back to that January 2022 level? The historical average of the S&P has returned 12% a year since 1926, with almost 40% of those years returning >20%. The charts to the left reflect the implied average annualized return needed within a 1-to-5-year span to get back to that peak when comparing to the S&P's closing level for Q1 2023. While macro uncertainty remains top of mind in the short term, reaching new heights in the equity markets should not be considered a distant target.

Debt Ceiling Drama

The 2023 federal budget

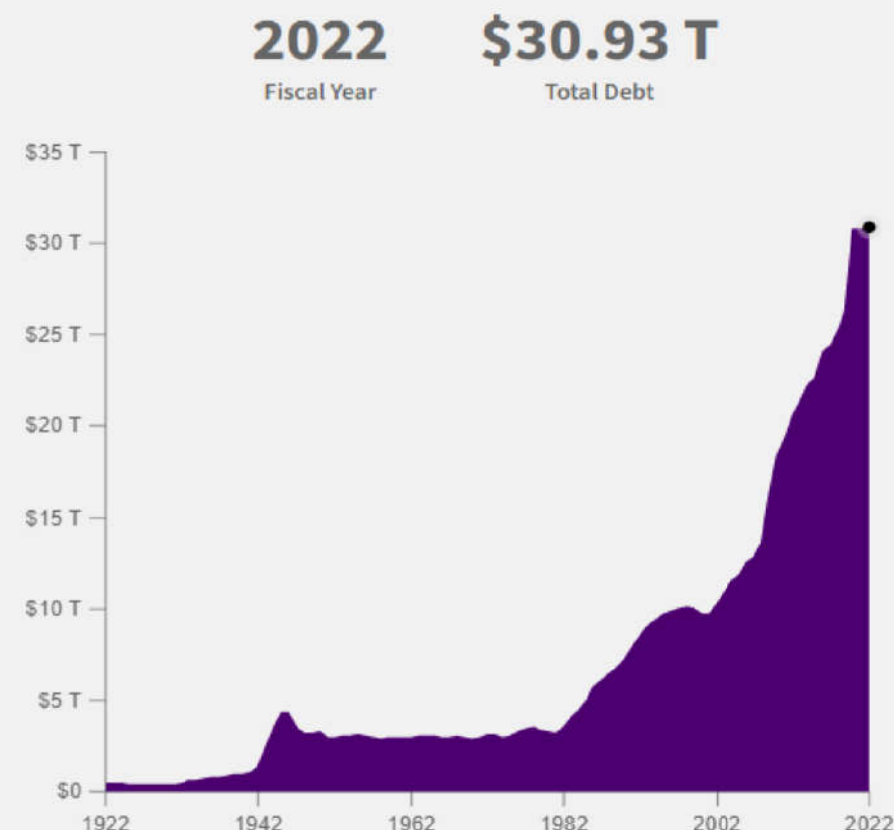
CBO Baseline forecast, USD trillions



Since 1960, Congress has approved raising the debt ceiling limit 78 times, though as in 2011, the 2023 raise is shaping up to be one to grab the late spring headlines. The chart on the left shows the federal budget in terms of spending, and how they finance it. The \$1.41 trillion of borrowing is what is added to the national debt, with its ceiling currently set at \$31.4 trillion. Since 1982, the national debt has steadily increased, and as illustrated on the right, supercharged over the last 20 years. This is further compounded by the recent rise in rates due to inflation, as the cost to maintain the debt is \$384 billion as of March 2023, accounting for a growing portion of government spending.

Source: CBO, J.P. Morgan Asset Management;

U.S. National Debt Over the Last 100 Years Inflation Adjusted - 2022 Dollars



Source: [Understanding the National Debt | U.S. Treasury Fiscal Data](#)

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