WOODARD & COMPANY
Asset Management Group, Inc.
Registered Investment Advisor

Portfolio Profile

117 Kinderton Boulevard
Bermuda Run, North Carolina 27006
(336) 998-7000 (800) 214-1144 Fax (336) 998-7050
woodard@wcamg.com

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The age to start RMD's (Required Minimum Distributions) from traditional IRA accounts has changed. Now, during the year when you turn 73, you must start taking the annual required distribution from your IRA. It was formerly age 70 ½ when you had to start, then it went to 72, now it is 73-years-of-age. We will notify you by letter in late January/ early February in the year in which you turn 73. Please be aware that you do not need to remember this. We will notify you. We just wanted you to know the new rule.

Secure Act 2.0 Phased-In Timeline for RMD Beginning Ages.

Birth Year	RMD Beginning Age
1950 or earlier	72
1951-1959	73
1960 or later	75

As you are likely aware, we can perform financial planning for you. There is no charge for the service. We utilize state of the art software. While we were initially covered up with the response, things are starting to slow down now and we would be pleased to assist you in this if you believe it would be a useful tool in your planning. Please contact Matt Blades at our office if this is of interest to you.

What is the additional letter contained here with this quarterly? Our governing body, the U.S. Securities and Exchange Commission, has specific notification requirements so you may see more of these notifications going forward. If you have any questions, please contact Todd Senter in our office. He is the Chief Compliance Officer here at Woodard & Company and can address any questions.

Finally, we implement and manage portfolios for foundations, trusts, church's, 401(k) plans, and more. For example, if your church or charitable organization needs a fiduciary to manage their portfolio, we already do that for a number of churches and charitable foundations, and we can do that for yours. If your business needs to implement a 401(K)-retirement plan, we do that as well. We would be pleased to meet with you or your group if there is a need or an interest.

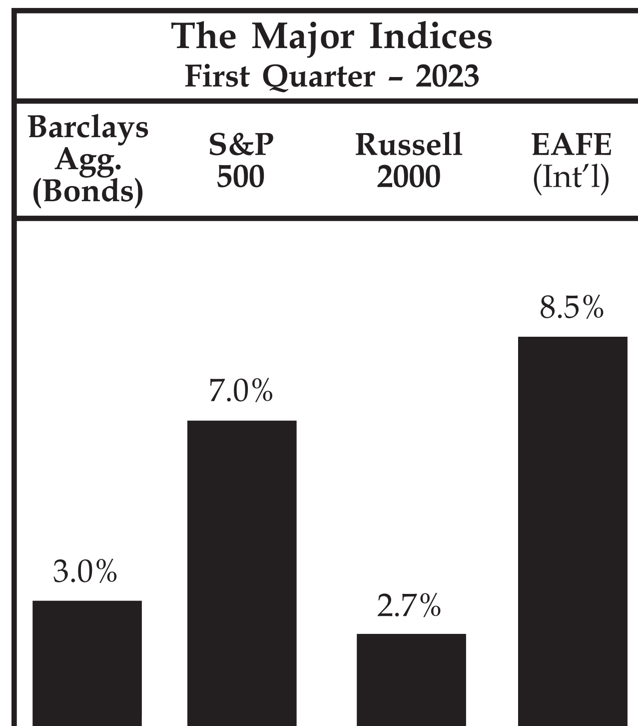
Market Review and Forecast. The first quarter for the stock market was good. Many investors are confused by market strength in the face of a supposedly pending recession. It would seem that this recession has been predicted by nearly every economist in the world. The old adage *"The market climbs a wall of worry"* certainly seems apt. Sometimes it seems we are on the edge of an economic precipice, but more often than not, we pull back unscathed. What about this time?

With all of the problems in the U.S. and the world, as we know, at any time they can bleed over into our markets. I expect we all sometimes wonder why many of them don't. We certainly wonder. Among other issues, we

have persistent inflation, a soaring national debt, a banking crisis, rising interest rates, overspending, crypto fraud, dollar concerns, wars, and rising social and economic tension in both the U.S. and around the world. Many of the economic problems we face here in the U.S. were created by low interest rates for way too long. Thank you Federal Reserve. However, if you are wondering why there is market strength in the face of so many negative factors, there are also positive economic factors and the following may help explain that.

As you may recall, we expected that as a consequence of the tripling of mortgage rates last year a recession would likely result (and it still may). Consequently, we had been defensive in our allocations, but we became more fully invested in February after witnessing continued strong housing and employment numbers. In other words, the U.S. consumer and our economy are still relatively strong. We have been visited by many investment firms during the quarter and we also received extensive economic analysis from other firms. The firms providing analysis included Vanguard, Fidelity, T. Rowe Price, J.P Morgan, Goldman Sachs and others. All seemed perfectly convinced of an imminent recession. Many, like Vanguard, believe there is a 90%+ rate of conviction for recession before year-end. Indeed, they may be correct, but the market seems to disagree, at least at present.

Bottom line, a recession occurs when the consumer becomes hopeless. Anticipating a devastating economic collapse, they are afraid of losing their job and they stop buying. They stop spending. At such times the consumer especially pulls back on the purchase of durable goods such as autos, appliances, etc. We have been in shopping areas around town. Try and find a parking place. The consumer is not hopeless yet as they continue spending. As long as the consumer remains strong, the economy remains viable.



Looking at the facts. Just last year in January 2022, mortgage rates were 2.5%; by December 2022 mortgage rates had risen north of 7%, i.e., *they nearly tripled in 10 months*. U.S. interest rates rose faster (orchestrated by the Federal Reserve) in 2022 than at any time since 1793. Trying to make up for bad Fed policy of over 14 years (Quantitative Easing-QE), this rapid interest rate hike was likely done to create a recession in order to stop the inflation they themselves created.

Social Security (and other transfer government programs) are benefit levels based on inflation adjusted COLA's (Cost of Living Adjustments). Consequently, these massive programs are growing exponentially. Also, the higher interest rates would increase debt service to be paid on the National Debt ($31 trillion). A recession would have solved both of their problems by finally crushing the consumer, dropping both inflation (COLA increases on

Social Security) and the economic slowdown causing interest rates to decline (lowering payment on the National Debt). These actions would punish Americans but help fix the mess the Fed and politicians had created.

Housing impacts so much of the economy, from contractors, electricians, plumbers, carpenters, masons, even loggers and truck drivers. Then you have flooring, appliances, lumber, shingles, heating and air, and so much more hurt by a housing slowdown. Finally, realtors, banking, insurance, and mortgage companies all take a hit to their business when interest rates suffocate housing demand. It is said that housing touches 80% of the economy. What better industry could the Fed have targeted to slow (almost stop) an economy and stop inflation? None. But so far it doesn't appear to have worked very well. Housing has remained relatively strong in the face of tripling mortgage rates.

In the face of fading consumer income growth and purchasing power, declining global manufacturing, sluggish business revenue growth, both employment and the consumer have remained strong. The consumer is continuing to spend while unemployment remains low; this may end. But until it does, recession seems unlikely. Job cuts are being implemented by many tech companies, but the continued inflows of workers primarily into the service industry following the Covid pandemic seem to offset that factor.

If a nearly tripling of mortgage rates didn't cause a recession or stop the inflationary rise, how much will a few more quarter point rate hikes by the Fed do to stem these inflationary pressures and induce recession?

Please note there is a Presidential election next year and incumbent presidents do not like recessions happening during or just before their campaigns begin. What does Federal Reserve Chairman Jerome Powell have left in his bag of tricks? Will he use them just before a Presidential campaign? Will a banking crisis push us into a recession, or not? Is the stock market and the consumer telling us we may dodge the recession bullet altogether this year, or even next? We believe the jury is still out on recession and we will continue to monitor the situation.

Lastly, an "event" could occur to drive us over the proverbial recessionary cliff or some other economic disaster. Some thought the banking crises would be that event. It may be, but that moment may have passed. It appears bank credit is drying up for lending, especially for small business. Liquidity is critical and contractions combined with the Feds stopping the monthly mortgage security purchases (Quantitative Easing-QE) may finally impact consumers and create the environment for a recession. Some believe that earnings estimates for third and fourth quarter 2023 are too high. If revised downward sharply, this would likely cause a significant contraction in stock prices. A crashing stock market can create fear in the consumer and cause them to pull back. Earnings correlations to stock valuations are the most consistent factors for predicting markets.

Bottom line, the much-anticipated recession will someday materialize, however it may not be in the cards for now. The economists and financial analysts' "jury" have rendered a verdict of recession, but they could be wrong, and they have been so far. We will remain vigilant.

Interest Rates. The first quarter of 2023 saw the Federal Reserve continue their rate hiking cycle as a part of their overall monetary tightening policy, which began in March of 2022. To date, it has been the most aggressive rate hiking cycle in forty years implemented to combat decades-high inflation. Still,

February consumer prices rose 6% from a year earlier. This rate is lower than peak inflation last June of 9.1%, but still remains stubbornly above the Fed's preferred rate of 2%. Unemployment remains low at 3.5% (although layoffs are increasing across many industries, most notably the information technology sector where they are currently up 63%), GDP is at 2.6% and OPEC just announced a production cut, all of which indicate that the Federal Reserve is not finished with their fight against inflation. Low unemployment means that a lot of dollars are still chasing various goods and services. Positive GDP reflects a strong economy. Higher oil prices will be passed along to the consumer, increasing the cost of goods. All of these factors are inflationary.

First quarter also witnessed the biggest bank failures since 2008. However, so far, the contagion effect appears contained for the moment. The current administration "rescued" the failing banks and their uninsured depositors with a blank check despite the various bank executives' speculative and high-risk investing practices. Such risky investment decisions would normally be dealt with swiftly according to disciplines long ago established by free-market capitalism. Instead, the government seems content adding it to their federal credit card or in other words, the U.S. Debt.

The bank failures have resulted in the entire banking industry becoming more restrictive in their lending practices which will continue into the foreseeable future. That in and of itself is restrictive for the economy and will theoretically aid the Federal Reserve as they fight inflation. Nobody knows how many more rate hikes the Fed will make but most industry professionals and economists expect another .25% rate hike at their May 3rd meeting.

Core bonds were positive in the first quarter by 3% but still negative by -4.8% over the past twelve months. The 10-Year Treasury closed the quarter yielding 3.49%, while the 2 Year, 1 Year and 6 Month Treasury closed yielding 4%, 4.7% and 4.9% respectively. This is known as an inverted yield curve which historically indicates a recession in the near future as investors move to the shorter end of the yield curve where there is less risk for fixed income. The bond market had been selling off as interest rates rose last year. However, when the bank failures occurred last month, investors rushed to bonds in a "flight to safety" resulting in a sharp rally for U.S. government debt. This rush pushed yields lower, reminding fixed income investors there remains volatility in bonds as well as stocks.

A bright spot to the current rising rate environment is interest rates on deposits have increased for the first time in over twelve years. Investors seeking safer returns are finding them in fixed income instruments. In addition, those managing pension funds are also moving back into bonds for the first time in years. State and local asset managers have poured trillions of pension fund dollars into bonds. Between 2001 and 2022, major public pension funds holding bonds and cash dropped 10% from 33% to 23%, as reported by the Wall Street Journal. Since the increase in rates, pension funds have been able to move away from investing in alternative investments (private equity, hedge funds, infrastructure, real estate and private debt) and back into safer bonds, thus lowering the risk of their portfolios.

If you have any other questions about your account or any concerns, please give us a call at 336-998-7000. We always enjoy talking with our clients.

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