NADLER FINANCIAL GROUP

Investment and Financial Consultants

Nadler Financial Group, Inc.
155 North Pfingsten Road • Suite 160
Deerfield, Illinois 60015-4903
Phone: 847.940.4040 • Fax: 847.940.7246
www.nadlerfinancial.com

FIRST QUARTER 2023 ECONOMIC AND FINANCIAL MARKETS REVIEW

After a down year in 2022, the financial markets remained volatile during the first quarter of this year. Last year, investors were concerned about rapidly rising inflation and its negative economic impact. The Federal Reserve Board raised interest rates aggressively in an attempt to reduce inflation. However, this led to further worry among investors that the Fed would raise interest rates too much, creating a severe economic recession. This year, inflation appears to be moderating despite continued high levels. The Fed continues to raise interest rates, but not as aggressively as in 2022. Investors are now hopeful that the Fed's interest rate increases combined with problems in the banking sector will not tip the economy into a severe recession. Stock market indexes finished the first quarter positively, with the S&P 500 Index up 7.03% and the Dow Jones Industrial Average up 0.38%. The Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index gained 2.33% during the first quarter.

What the Fed is attempting to engineer is known as a "soft landing." This is where they raise interest rates just enough to reduce harmful inflation without creating a recession. Higher interest rates can create a recession because the cost of borrowing rises for both consumers and businesses. For example, mortgage rates increase, which makes buying a house more expensive. Auto loan interest rates increase, making financing a car purchase more expensive. Business loan interest rates rise, leading to higher costs for businesses to borrow to finance purchases. These higher interest expenses are harmful to economic growth and corporate earnings on which stock prices are based.

It is possible that in the process of raising interest rates to fight inflation, the Fed will create a recession. However, it is important to note that the stock market is typically forward-looking and a leading indicator of the economy. Therefore, even if the Fed causes a recession, the stock market decline that occurred last year may have already priced in a worsening economy this year. Just as the stock market has declined in anticipation of a potential recession, it would not be surprising to see it begin to recover during an economic downturn as it anticipates an eventual recovery. This is precisely what happened during the 2020 recession caused by the pandemic.

One silver-lining of the Fed raising interest rates is that yields on many newly-issued fixed-income securities have increased. This means investors can now earn a better interest rate on many bonds, CDs, and money market funds. Also, due to last year's stock market decline, stocks are more fairly valued than they have been in a long time.

For this reason, we continue to recommend that most investors remain focused on the long term without letting short-term market declines or cyclical economic downturns change their overall investment strategy. Finally, if a recession occurs, we do not expect it to be very deep or long-lasting due to the strong labor market and robust consumer spending. Recessions are part of the normal business cycle, and they often result in good buying opportunities for stocks.

That is not to say that the remainder of this year does not carry additional risks that could create market volatility. For example, the recent collapse of several banks illustrates that rising interest rates can harm bank balance sheets. This is because some banks invest in long-term bonds, which can lose significant value when interest rates rise. In addition, Congress will need to wade through difficult political infighting to lift

Investment advisory services offered through Nadler Financial Group, Inc., a registered investment advisor. Securities offered through Ausdal Financial Partners, Inc., Member FINRA/SIPC, 5187 Utica Ridge Road, Davenport, IA 52807. Phone: 563.326.2064. Nadler Financial Group, Inc. and Ausdal Financial Partners, Inc. are independently owned and operated.

the nation's debt ceiling this summer to avoid a default by the U.S. government. Also, geopolitical concerns such as the continued war between Russia and Ukraine and the rising tensions between the U.S. and China may create additional uncertainty and market volatility in the near future. Furthermore, it is possible that inflation does not come down as much as investors expect, and the Fed will need to remain tough in its stance on interest rates and the economy.

In the meantime, we continue to favor large-company stocks that have performed the strongest through recent up-and-down market environments. However, as the year progresses, we may begin recommending smaller-company stocks for investors with a relatively high-risk tolerance. We are also becoming more optimistic regarding certain foreign stocks. For example, European stocks have generally underperformed domestic stocks for many years due to various circumstances, and they appear to be more fairly valued than U.S. stocks at this time. We also continue to recommend short-term bonds rather than long-term bonds because short-term bonds are less sensitive to interest rate fluctuations.

As always, we will continue to monitor ongoing economic and financial market conditions. In the meantime, please contact us if you have any questions regarding your portfolio or the financial markets in general.

* *Index returns were obtained from the Wall St. Journal and Bloomberg Barclays on April 1, 2023.*

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Nadler Financial Group, Inc.), or any non-investment related content, made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from Nadler Financial Group, Inc. Please remember to contact Nadler Financial Group, Inc., in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing /evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. Unless, and until, you notify us, in writing, to the contrary, we shall continue to provide services as we do currently. Nadler Financial Group, Inc. is neither a law firm, nor a certified public accounting firm, and no portion of the commentary content should be construed as legal or accounting advice. A copy of the Nadler Financial Group Inc.'s current written disclosure Brochure discussing our advisory services and fees continues to remain available upon request, or at www.nadlerfinancial.com. Please also remember to advise us if you have not been receiving account statements (at least quarterly) from the account custodian.

Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational / comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your Nadler Financial Group, Inc. account holdings correspond directly to any comparative indices or categories. Please Also Note: (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/indices may be more or less volatile than your Nadler Financial Group, Inc. accounts; and (3) a description of each comparative benchmark/index is available upon request.