

FINANCIAL FOCUS



A Pegasus Newsletter[©]

July 2023

Dear friends,

As summer begins to heat up and the beaches are getting more and more crowded, the markets have remained on their bullish path. The Federal Reserve continues to use its tools to reign in higher inflation and recession fears are rising as are interest rates. We understand the stock market can be both exciting and challenging, and its natural to have questions along the way. We encourage you to reach out with any questions or concerns you may have. Pegasus wishes you a Happy 4th of July and a safe summer.

By, Jaysen Bohrod, CFA

Market Commentary

As the first half of 2023 comes to a close, volatility in the markets has fallen significantly. The S&P 500 volatility index, measured as a ratio of put option and call option prices over the next 30 days, is at a level we haven't seen since the end of 2020. The Dow Jones Industrial Average has gained 2.64% over the past 6 months. The S&P 500 has gained 14.5% year to date, driven mainly by a handful of technology companies. The Nasdaq Composite, which includes almost all of the stocks listed on the Nasdaq stock exchange, has gained 30.59%.

The S&P 500 index is a market capitalization weighted index. This means that the largest companies have the largest influence on the performance. As we have seen for the first half of the year, the information technology sector and the consumer discretionary sector, which includes companies like Apple, Amazon, Microsoft, Nvidia, Meta, Google and Tesla have returned 47% and 29% respectively. Due to the fact that these companies happen to be the largest in the index, they have been responsible for a large percentage of the gains. In fact, according to Goldman Sachs, those seven companies have returned a combined 53% as of the end of June, while the other 493 stocks are only up .1%. To understand how the total market is performing on an equal weighting, we can look at the S&P 500 Equal

Weight Index, which has only returned 4.18% for the year, compared to 14.5% for the market capitalization weighted index. The difference in the two indices show how influential the top companies are and how they have driven the performance for the year.

The 2-year Treasury rate has increased 78 basis points this quarter to 4.879% and the 10-year Treasury rate finished the quarter at 3.819%, increasing just under 30 basis points. The spread between the 10-year treasury note and the 2-year treasury note is often used as an indicator for future economic expectations. When the difference is positive, longer term rates are higher than shorter term rates, investors are expecting stronger growth. When the spread is negative, as we see today, investors are expecting weaker economic growth and possible recession in the future.

Oil prices have remained stable over the past three months, trading between \$67 and \$75 per barrel. Gold has retreated from its peak of \$2,055 per ounce in early May to close the quarter at \$1,929 per ounce, returning – 2.87%.

Inflation, measured by the Consumer Price Index rose .1% in May and rose 4% over the last 12 months. Used cars and trucks continues to be the largest contributor to the increase in prices, while energy is seeing the largest declines.



Numbers Talk

- Percentage that the 10 largest companies make up in the S&P 500.....31%
- Percentage of Americans working from home in 2019.....25%
- Percentage of Americans working from home in 2022.....33%
- Number of hours worked per day by Americans working from home.....5.7 hours
- Number of hours worked per day by Americans working in the office.....8.2 hours
- Apple's market capitalization on July 1, 2023\$3.05 Trillion
- Apple's market capitalization on July 1, 2020.....\$1.58 Trillion
- Bitcoin price as of July 1, 2023.....\$30,472
- Mean market cap of S&P 500 stocks as of May 31, 2023.....\$73.137 Billion

Trusted Contact

Over 5 years ago, the SEC approved FINRA's proposed amendment to the Customer Account Information rule and created the new Financial Exploitation of Specified Adults rule. In response, Schwab instituted policies to comply with these new rules, including changes to forms allowing the collection of Trusted Contact information for all clients and the creation of the specialized Senior Investor Support Team. A Trusted contact does not have access to your Schwab accounts, they are only a resource to be contacted if Schwab has concerns about your well-being or suspects you're the target of financial exploitation.

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-Click the 'Profile' tab at top right

-Click 'Contact Information' in drop down menu

-Click the 'Trusted Contact' subtab and enter your Trusted Contact's information

Account Contact Information

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Update your account online at:

www.schwaballiance.com

-Click the 'Profile' tab at top right

-Click 'Contact Information' in drop down menu

-Update your address, phone #, & email

-Be sure to click the green "Submit" at the bottom
before leaving the page.

Stock Market Holidays

July 3rd – Pegasus is closed

July 4th – Independence Day

September 4th – Labor Day

*From Memorial Day to Labor Day our office
closes at 4pm on Fridays

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