

SURGANT FINANCIAL GROUP

MID YEAR MARKET COMMENTARY - 2023

Dear Clients and Friends,

The financial markets have rebounded over the first seven months of the year but, to put this in perspective, we should keep in mind the relatively low baseline for this, the relatively depressed year end valuations of the major market indices. As we have seen in the past, we understand that a small proportion of individual stocks, 10 to 20, 2 to 4%, of the S&P 500 index, have accounted for the majority of gains in that index so far this year.

It appears that inflation is diminishing, productivity is increasing, and high unemployment is not happening. It also appears that significant sums in appropriated government spending have yet to be spent. We therefore believe that the already relatively high amount of cash in the economy is likely to increase further. As a result, going forward towards year end and into 2024, we look for continued gains in stocks, although at a pace we liken to a loaded pick-up truck driving through mud in first gear.

A serious financial stress event, in our analysis precipitated by the past year's rapid rise in interest rates, occurred earlier this year when three mid-sized banks failed. This, in the context of our economic scenario, leads us to think that for the balance of the year, we may see only small additional interest rate hikes. This also illustrates to us the "event risk" incurred when investing in individual stocks. We do not look for a decline in interest rates until well into next year, and then only to a modest extent. Interest rates and bond yields relatively close to current levels may continue for an extended period of time. As a result, income oriented investments may become a more attractive alternative to growth oriented issues.

In this environment, we believe it is essential to focus financial portfolios on the basics of asset value and cash flow. As we continually look to improve and enhance growth potential, we are ever mindful of the desirability of a competitive current dividend and interest yield at the core of most portfolios. In short, we continue to believe that our total return strategy is most appropriate and timely, enhancing risk/return investment profiles at this time. For more on this, please take a look at the back side of this page.

We always appreciate referrals. Please do not keep us a secret. We look forward to being of service to your family and friends. We hope you are having a great summer.

Stephanie Taylor Schulz
Financial Advisor Associate

John M. Surgant, Jr.
Senior Vice President/Investments

John T. (J.T.) Surgant
Client Relationship Manager

surgantj@stifel.com

(314) 292-6212

www.surgantfinancial.com

Past performance is not indicative of future results. The Standard and Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.