

# Weekly Market Insights

May 1, 2023

## Yes, Biden is running!

### Financial Markets

In a market that dislikes uncertainty, investors now know one more piece of information—the President is running for a second term, and he is sticking with his vice president. This may not be a market moving announcement, but it is certainly one investors care about.

Although a bit volatile, markets did not move very much last week. This is surprising since it was a busy stretch of earnings announcements. The Dow gained 0.86%, the S&P 500 gained 0.87%, and the NASDAQ gained 1.28%. Technology and Communication Services led the pack, while Utilities and Industrials were the laggards.

So far, 2023 has not been an inspiring year for investors. This is understandable. With so many unanswered questions, it is difficult to be a risk taker. This coming week is another big one for earnings, and, as you will read next, for economics releases as well.

### Economics

As we wrote earlier, 2023 has been a confusing year for financial markets. We have had an unusually large number of unanswered political and economic questions, all with significant implications for market valuations. We will start with the obvious—the beginning of the presidential election cycle, the Federal Reserve's ongoing battle against inflation and the fallout from their actions, and the mounting threat of the U.S. defaulting on its debt obligations, all while trying to win or at least prevent an escalation of the war in Ukraine. Then, of course, there is the longer-term question about the future of globalization. Will there be a decoupling where it becomes the United States (the West) versus China (the East)? There are many more unanswered questions, but these stand out.

With the Democratic nominee now settled, the big question concerning the election is whether the Republican candidate will be Donald Trump. If he ultimately does not become the Republican candidate, the tone and substance of the debate is likely to be very different.

Investors will get a much clearer picture from the Fed after their rate announcement this Wednesday.

The future of globalization is really fascinating and can have a dramatic impact on global relations, from trade to defense. If globalization returns to its previous form, we know what it will be like. Even though the rhetoric has been hot and heavy against this happening, it is not a terribly unlikely outcome. The world breaking up into United States-led and China-led factions would certainly work to some degree, but it would be much less efficient, and, no doubt, fractious. We believe this outcome would be too inefficient to actually happen, and, if it did, it would be short-lived.

### Conclusion

With so many moving parts, it is difficult to arrive at a satisfactory conclusion. A lot of what the future has in store will have to do with company earnings results, as always. Investors will be anxiously awaiting Chairman Powell's press conference to hear whether the Committee decides to move forward with another rate hike. However, his comments regarding future policy will be far more important than the actual rate decision.

Next week, we will spend more time on the global economy, the potential for decoupling, and its ramifications. For years, free trade has been the mantra from academia and the center left. Interestingly, more and more academics have been abandoning this belief, and both parties appear to be moving to the idea of managed trade.

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