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Is there going to be a Recession?

Global Markets and Regions

	2nd QTR	2023 YTD
US	8.70%	17.1%
Developed Europe	3.10%	14.20%
Asia	1.60%	6.80%
Emerging Markets	1.00%	5.10%

US Markets

	2nd QTR	2023 YTD
Dow 30	4.00%	4.90%
Large Cap Cos.	9.21%	17.20%
Mid. Cap Cos.	4.77%	8.76%
Small Cap Cos.	5.07%	14.98%
Bonds	-0.23%	2.77%

Whether there will be a recession this year has been an issue the markets have been dealing with for about the last year and a half. Is there going to be a deep recession? Will it be a mild recession? Maybe there won't be a recession at all. The reality is, there is always the potential for a recession. Recessions are bad for corporate revenues and earnings and stock prices respond accordingly.

Markets are forward looking. They anticipate what they believe will be the most likely probability of events that could lead to recessions. That they respond to recession probabilities on a daily basis explains the volatility of markets. Markets generally reflect expectations for recession probabilities out to about 12 – 18 months.

The Covid recession of 2020 was obviously unexpected. The market's response was swift and extreme, reflecting the unique and unexpected nature of the recession. The market's forward -looking capabilities were not very helpful anticipating that recession. The response by Governments and Central banks worldwide was also swift and extreme. Consequently, the recession, though deep, was short lived. Markets plunged and recovered in relatively short order.

Traditionally central banks try to influence economic conditions to prevent, mitigate or alleviate recessions. Their actions can precipitate recessions or end them. They monitor economic data and adjust interest rate policy according to that data. The data at the time of Covid was actually pretty good.

Their activities did not cause the Covid recession, but were essential to mitigating its effects, which were extreme. One of those effects, unintended as it may have been, has been excessive inflation.

The Federal Reserve, the US Central Bank, has been charged with bringing inflation down. The Fed's actions in pursuit of that goal have raised expectations for a recession. They have inverted the yield curve by raising short-term rates significantly above long-term rates. A three-month Treasury yields over 5% and a 30-year Treasury only 4%. Historically, this has generally, but not always, signaled a recession is coming.

For the time being, investors seem to think the Fed is done or nearly done with raising interest rates and either won't cause a recession or will act swiftly to alleviate recession conditions. Markets, in their forward-looking capacity, are making their assessment. We'll see how accurate their assessment is.

A Brief Q&A on Wealthcare Capital Management

- Q: What is Wealthcare and why did I merge my practice with them?
 - A: Wealthcare is a Registered Investment Advisor (RIA) and Technology firm with over 40 employees. Wealthcare provides me with compliance, marketing, investment management expertise, and operational support. These are all functions that I previously had to perform myself as a sole practitioner for my RIA (TP Advisory). I chose to merge with Wealthcare to accomplish a few objectives. First, to create a business continuation plan to ensure that my clients are well taken care of in the event of unexpected incapacitation or my eventual retirement. Secondly, the investment and personal finance landscape is rapidly changing and I felt that I need to align myself with a platform that is well positioned as a leader in the industry. After years of due diligence, I determined that Wealthcare was best positioned to provide me with the technologies, services and planning acumen to improve the services that I provide to my clients.
 - You can learn more about Wealthcare by Clicking [HERE](#).

- Q: Who is Russ Reinhart?
 - Russ is a Certified Financial Planner (CFP®) located in West Chester Pa and a founding member of the Wealthcare RIA. I've known Russ for over 20 years and we've developed business partnership that I'm excited to share with you!
 - You can learn more about Russ by Clicking [HERE](#) or [HERE](#)

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