

We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have questions regarding any observations.



Contact us today if you would like to meet about your investment future. info@macnicol.com

BEACONS OF THE WEEK

The two main purposes of a Lighthouse are to serve as a navigational aid and to warn ships (Investors) of dangerous areas. It is like a traffic sign on the sea.



Fox Point (Fishing Point) Lighthouse, Newfoundland and Labrador

From Shabbir Safri

This beautiful lighthouse is on a point. There are trails to the rocky coast and wildflowers abound along it. Visitors can also visit the lighthouse gift shop while visiting.



Cape Sarichef Light, Alaska

Cape Sarichef Light is a lighthouse located on the northwest tip of Unimak Island, approximately 630 miles (1,010 km) southwest of Anchorage, Alaska. This image was taken in 1904 when the lighthouse was first lit.

Feel free to send us your photos of Lighthouses to be featured in our weekly market observations.

FED raises rates

The Federal Reserve has risen rates to combat inflation. Those rising rates have impacted consumers, investors, businesses, and now banks. Check out last week's edition of *The Weekly Beacon* for a summary of what has happened across the banking industry and why two U.S. banks (Silicon Valley Bank and Signature Bank) failed over the last week and a half ([Click here to read it](#)). These were the two biggest U.S. bank failures since 2008 and Silicon Valley Bank was the second largest U.S. (inflation-adjusted) bank to fail ever.

Many believed that this instability and these bank runs would lead the FED to pivot its policy from raising rates to cutting rates or at the minimum pausing their rate increases for the time being. Numerous big names across the industry voiced their opinions over the last few days, mostly advocating for a FED policy pause.

The banks believed the FED would raise rates by 0.25% or pause the rate increases. Why does this matter? Just a few weeks ago every major U.S. bank was forecasting a 0.5% interest rate increase. Their tone changed when banks began to fail. Many believed that these banks' failure could be a signal for the FED to pause and let their policy run its course.

On Wednesday, Jerome Powell announced that the FED would be raising interest rates by 0.25% along with most banks' forecasts. A month ago, investors would have cheered this on but fast forward to this week and they were quite unhappy with the FED's move.

Markets slid quite hard to end the day after the FED's decision was released. The FED makes its announcements at 2 pm eastern time, you can see the move downward began later that hour. Markets began to dip while FED Chair Jerome Powell hosted his press conference.

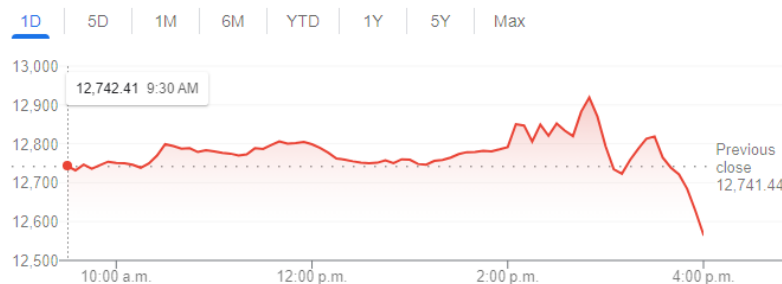
Market Summary > Nasdaq-100

12,567.15

-174.29 (1.37%) ↑ today

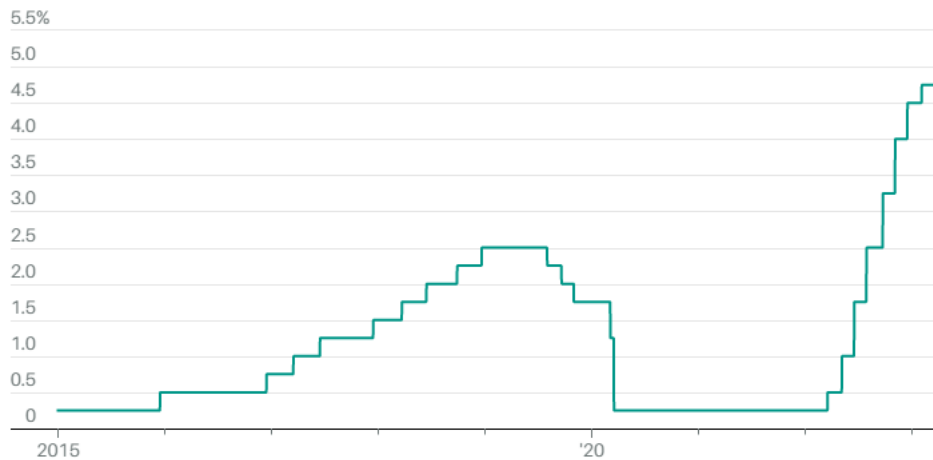
Mar 22, 5:15 p.m. EDT • Disclaimer

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After Wednesday's decision, here is the federal funds rate:

The Fed's target for the federal-funds rate.



Note: Figures are upper end of targeted ranges.
 Source: Federal Reserve.

The FED's latest move brings the federal funds rate to a range of 4.75% to 5%. This is the highest rate we have seen since 2009.

If you were betting on a lower terminal rate, think again. It seems the FED and the European Central Bank are focused purely on killing inflation. Perhaps they read our publication and know a second wave could occur especially if they become complacent and cut rates.

However, Powell's tone did signal rate increases could be coming to an end quite soon.

The SEC versus Hollywood

The SEC broadened its target this week charging several prevalent celebrities involved in a cryptocurrency scam. The Securities and Exchange Commission charged crypto asset entrepreneur Justin Sun and three of his companies with the unregistered offer and sale of crypto assets Tronix (TRX) and BitTorrent (BTT). The SEC also charged Lindsey Lohan, Jake Paul, Lil Yachty, Akon, Ne Yo, Austin Mahone, and a few others. The group of celebrities advertised these assets on their social media platforms without disclosing that they had been compensated for the post(s).

TECH

SEC charges Tron founder Justin Sun, celebrities Lindsay Lohan, Jake Paul with crypto violations

PUBLISHED WED, MAR 22 2023 3:45 PM EDT | UPDATED 25 MIN AGO


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KEY POINTS

- The SEC unveiled charges against diplomat Justin Sun for fraud and securities violations, while also charging celebrity backers including Jake Paul and Lindsay Lohan.



Most of the celebrities involved agreed to pay a fine of \$400,000 to the SEC to settle the charges, without having to admit or deny the charges.

The SEC accused Sun and his companies of offering and selling TRX and BTT as investments through unregistered “bounty programs”. A bounty program directs people to promote securities on social media and recruit others to “join the community” (buy the tokens) in exchange for distributions of the asset promoted. The SEC also accused Justin Sun of wash trading to manipulate the volume of his companies’ tokens. The wash trading makes the tokens trading volume look higher for the public. Wash trading is conducted through the simultaneous buying and selling of a security without an actual change in ownership of the asset.

Many have long thought the SEC has no jurisdiction in crypto. If a court found that TRX and tokens like it were securities, it could have wide implications for U.S. - based crypto trading platforms that allowed customers to buy and sell them, since those platforms could also be forced to register with the SEC and fall under its supervision.

“This case demonstrates again the high-risk investors face when crypto asset securities are offered and sold without proper disclosure”, SEC Chair Gary Gensler.

Follow this story closely, it could just be the beginning for the SEC and their regulation of the industry.

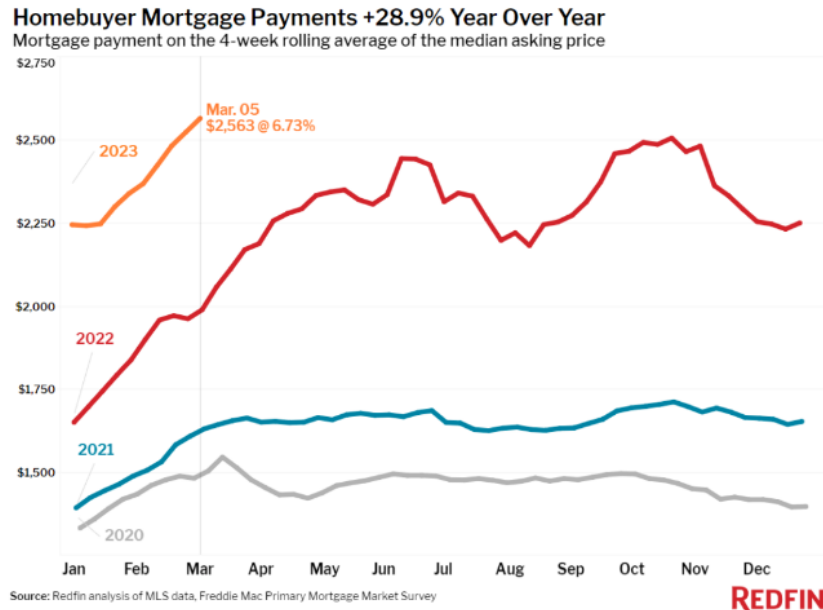
Just a few days before these charges dropped, Justin Sun posted online that he would like to bid \$1.5 billion to purchase Credit Suisse.

What a wild few days for him, a complete 180.

Rates hitting home

It's no secret that mortgage rates have increased across most countries as Central Banks hike rates to combat inflation.

The average homebuyer mortgage payment has jumped 29% over the last year even as most residential real estate prices retreat. This is because homebuyers are being hit with the highest mortgage rates in 15 years.



Consumers will continue to become more frugal as their shelter costs increase. Expect luxury spending to decrease and consumers to pull back on purchases of electronics, clothing, furniture, and other goods.

We continue to believe most consumers will stretch their wallets for services and experiences moving forward. After lockdowns for 2-3 years, consumers have pivoted from online shopping to services and enjoying experiences. Expect service inflation to continue to increase moving forward (especially as we head into summer).

MacNicol & Associates Asset Management
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