



QUARTERLY MARKET REVIEW • RETROSPECTIVE

First Quarter 2023

Stocks gained despite the collapse of Silicon Valley Bank, as investors bet the Fed was nearing the end of its rate increases.

Data as of March 31, 2023 | Retrospective review prepared October 2026
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THE QUARTER AT A GLANCE

Stocks held up through a banking scare

+7.0%**S&P 500**

Price return for the quarter, its second straight quarterly gain

+16.8%**NASDAQ COMPOSITE**

Price return for the quarter, led by large technology companies

4.75%–5.00%**FED FUNDS TARGET**

After the Mar. 22 increase, the ninth since March 2022

6.0%**INFLATION (CPI)**

February, year over year, down from 9.1% in June 2022

01**A sudden banking scare.**

Silicon Valley Bank and Signature Bank failed in March, the largest U.S. bank failures since 2008. Regulators moved quickly to protect depositors.

02**Technology led the way.**

Large technology companies rebounded sharply after a difficult 2022, while bank stocks fell.

03**The Fed kept going, more gently.**

The Fed raised rates by a quarter point in both February and March, smaller steps than in 2022.

U.S. STOCKS

Stocks rose despite a banking scare in March

The S&P; 500 gained 7.0% in the first quarter, and the technology-heavy Nasdaq jumped 16.8% as the largest technology companies rebounded from a difficult 2022. The Dow Jones Industrial Average, which holds more banks and industrial companies, edged up 0.4%.

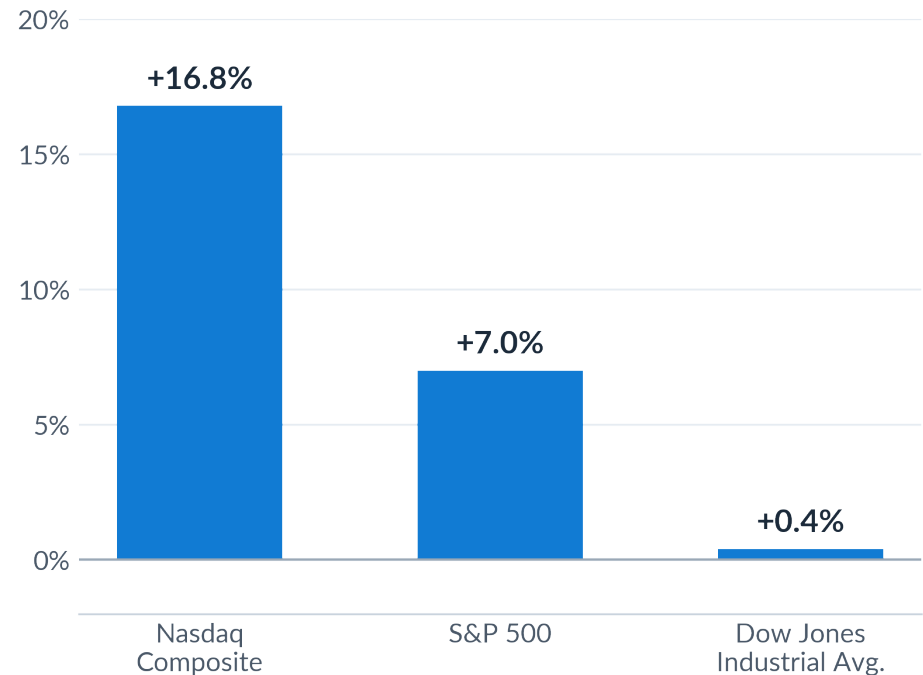
March brought a scare. Silicon Valley Bank and Signature Bank failed within days of each other after depositors rushed to withdraw money. Regulators stepped in to protect depositors, and stocks recovered by the end of the month.

Leadership was narrow. Technology and communication services stocks each gained about 20% for the quarter, while financial and energy stocks were the weakest.

WHY IT MATTERS

Sudden events like a bank failure can shake markets quickly. A diversified portfolio helps limit the damage when one area, like banks, is hit hard.

First-quarter price returns, major U.S. indexes



Source: S&P Dow Jones Indices; Nasdaq. Price returns, December 30, 2022 to March 31, 2023. Indexes are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

INTEREST RATES AND THE FED

The Fed slowed its pace as the banking scare pushed yields down

The Federal Reserve raised its benchmark rate by a quarter point in February and again in March, bringing it to 4.75% to 5.00%. These were smaller steps than the large increases of 2022, a sign the Fed believed it was getting closer to the end.

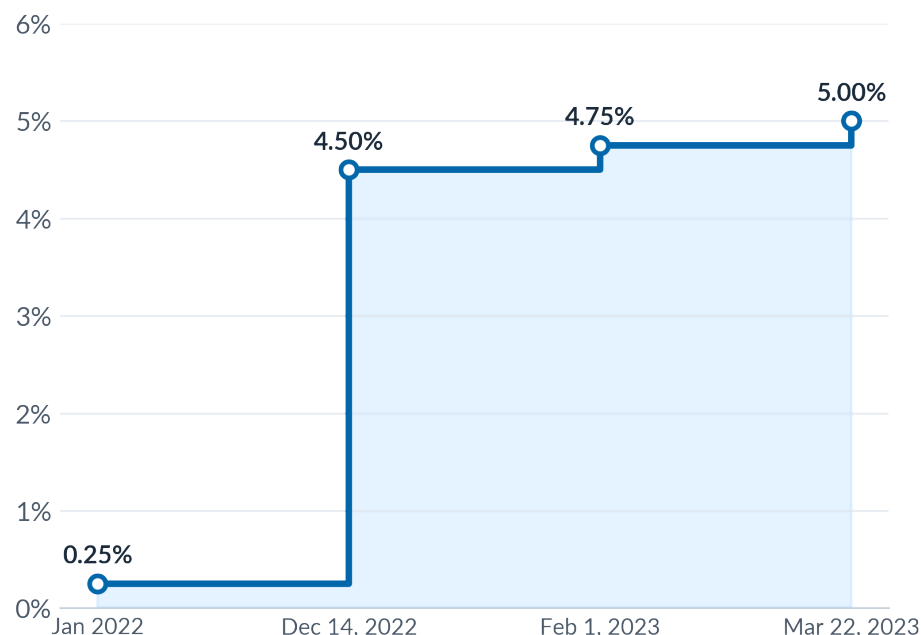
The 10-year Treasury yield fell from 3.88% at the start of the year to 3.48% at the end of March. When the banking problems surfaced, investors moved money into the safety of Treasury bonds, pushing their prices up and their yields down.

Bonds had a positive quarter as yields fell, a welcome change after 2022.

WHY IT MATTERS

Bonds did what investors hope for during a scare: they held up when stocks wobbled. That cushioning role is one reason bonds belong in a long-term plan.

Federal funds target rate (upper bound)



Source: Board of Governors of the Federal Reserve System, FOMC statements. Upper bound of the target range after each change.

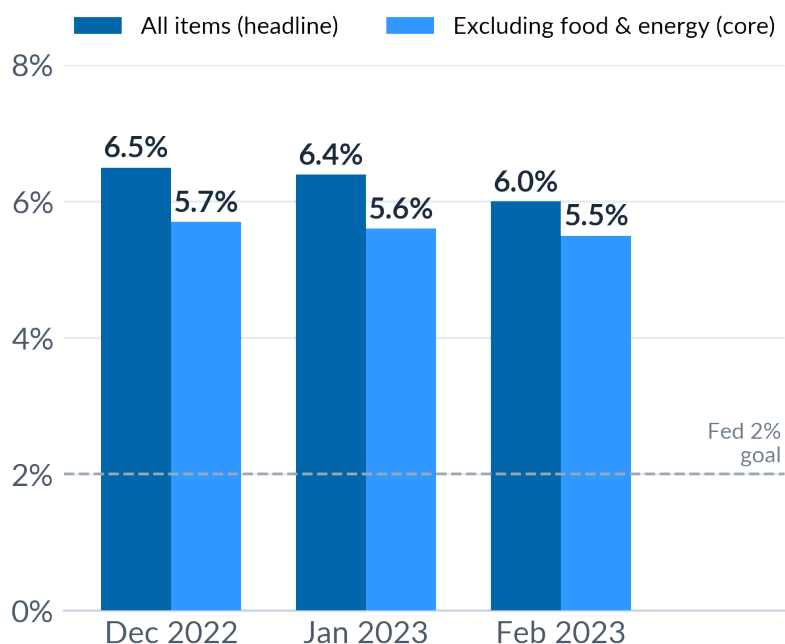
INFLATION AND OIL

Inflation kept cooling, helped by lower energy prices

Overall inflation eased to 6.0% in February, down from 9.1% in June 2022. Core inflation, which leaves out food and energy, was slower to improve at 5.5%, as rent and service costs stayed high.

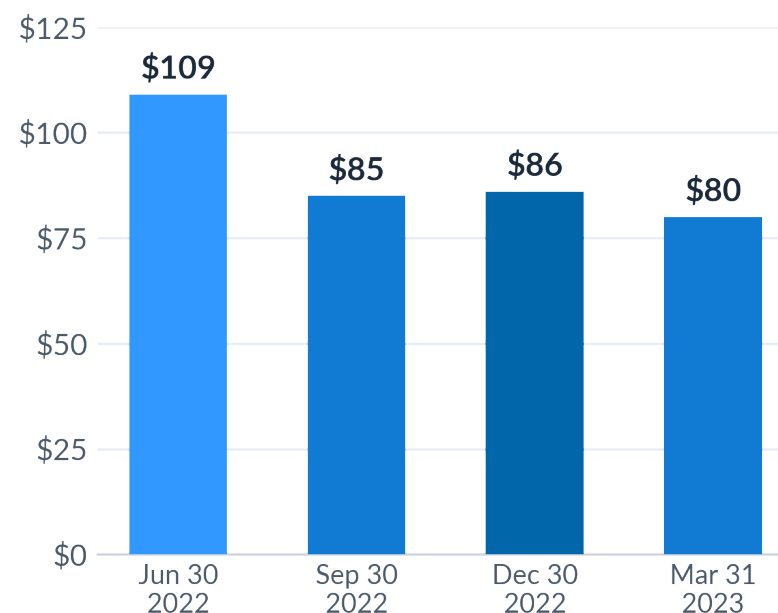
Oil prices drifted lower as worries about the economy and the banking system weighed on expected demand. Brent crude ended March near \$80 a barrel, down from about \$86 at the end of 2022 and well below its mid-2022 levels.

Consumer price inflation, year over year



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers.

Brent crude oil futures, dollars per barrel



Source: ICE Futures Europe, Brent front-month settlement prices at each quarter-end.

LOOKING BACK

What came next

Stocks kept climbing

The rally continued through mid-2023, and the S&P; 500 finished the year up about 24%.

More bank stress, then calm

First Republic Bank failed in May 2023, but the broader banking system stabilized.

Two more Fed increases

The Fed raised rates in May and July 2023, then held at 5.25%–5.50% for more than a year.

Inflation fell further

Overall inflation dropped to 3.0% by June 2023 and ended the year at 3.4%.

KEEPING PERSPECTIVE

In March 2023, headlines about bank failures made many investors nervous. The quarter still ended higher, a reminder that markets often move past frightening headlines faster than expected. Past performance is not a guarantee of future results.

IMPORTANT INFORMATION

Definitions, sources, and disclosures

Definitions. The S&P 500 tracks 500 large U.S. companies. The Nasdaq Composite includes more than 3,000 stocks listed on the Nasdaq exchange and is weighted toward technology. The Dow Jones Industrial Average tracks 30 large U.S. companies. The 10-year Treasury yield is the annual return on a 10-year U.S. government bond held to maturity. The Consumer Price Index (CPI) measures changes in prices paid by urban consumers; core CPI excludes food and energy. Brent crude is the main global benchmark for oil prices. The federal funds rate is the Federal Reserve's benchmark short-term interest rate.

Sources. S&P Dow Jones Indices; Nasdaq; Board of Governors of the Federal Reserve System (FOMC statements; H.15 Selected Interest Rates); U.S. Department of the Treasury; ICE Futures Europe; U.S. Bureau of Labor Statistics. Data as of March 31, 2023, unless otherwise noted. The "Looking back" page reflects data through December 2024.

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