

## February 2023



February is brief - the last full winter month before spring becomes visible on the horizon. There are tulips and hyacinth in the grocery store, hinting at the possibility of a season's end. In the northeast, however, winter is still in full swing, the mountains are thronged with skiers, the frozen ponds are etched with skate tracks, and school children everywhere are [wearing their pajamas inside out to gain favor with the snow day gods](#) above.

## Snow Days



If you're a skier, a snowmobiler, a sledder, a Siberian Husky... you're pretty focused on finding the snow. [Onthesnow.com](https://onthesnow.com) is a website that shows [information about where the snow](#)

is in [Maine right now](#), as well as [lift ticket prices, lodging, and more](#). [LL Bean](#) has the inside scoop on discounted ski tickets and more. And be sure you know [Maine snowmobile law](#) before heading out on the trails. But if snow just isn't your thing, consider these [cozy fireside restaurants and inns](#) all across New England. This [article from Kelley Blue Book](#) offers some helpful reminders about driving safely on snowy roads, such as not using cruise control and learning how Traction Control Systems (TCS) and Anti-Lock Braking Systems (ABS) work. And penguins everywhere want you to know their secret to [walking safely on icy surfaces](#). Around the office, we encourage everyone to work from home during snowstorms. Here are a few pictures of our snow days...

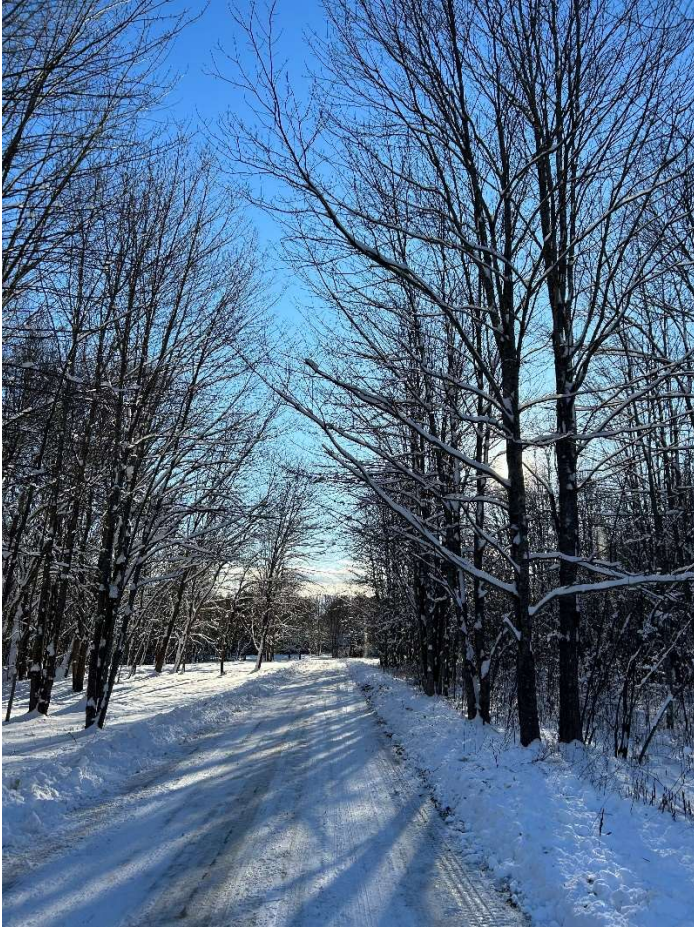
Paige's view



Nancy's view



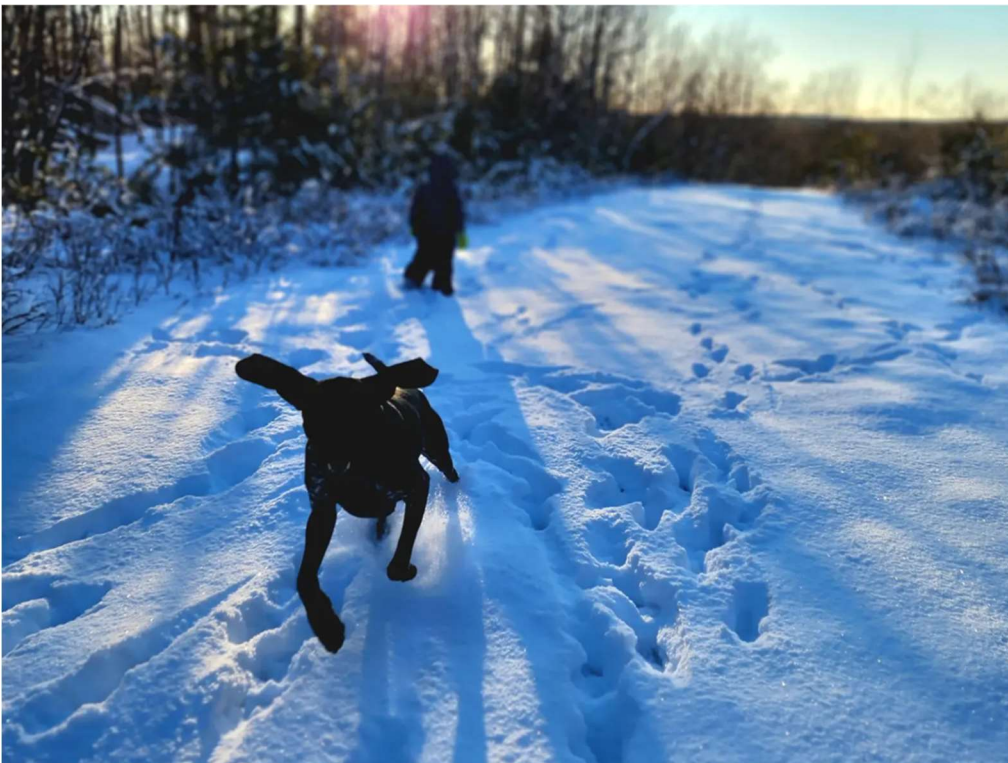
Melissa's view



Gibson's view



Shana's view



Love is all around you...



Valentine's Day is just around the corner and we're all mushy gushy about it. Whether you're looking [for her](#) or [for him](#), or yourself, [one thing always works!](#) There are a lot of [lists out there ranking the best romantic comedies of all time](#), but most of them seem to agree on the favorite. Can you guess which [one is almost always in the top 3](#)? Portland has a unique little tale of [The Valentine's Day Bandit](#), an unidentified love champion who papers the city with red hearts under the cover of darkness. It's been going on since 1976! If this holiday has you thinking about pairing up, [here are some interesting statistics about online dating](#). Of course, Valentine's Day isn't just for couples. [It's mostly about the candy!](#) We asked the team if they had to eat only one candy for the rest of their lives, what would it be? Here's what they had to say:



[Shana Bennett](#) - The rest of my life? It would have to be [dark chocolate](#). But black licorice is a very close second.

[Gibson Wilkes](#) - [Snickers](#) or [Almond Joy](#). Reese's and red licorice are second choice. Always red licorice for a car trip with Pringles.

[Matt Emery](#) - [Needhams](#)

[Natalie Munn](#) - I was always Reese's until Shana said dark chocolate... and I may have to go with [Lindt Lindor Dark Chocolate Truffles](#) as number one. You could probably just eat a spoonful of peanut butter after the truffle and get the same kind of Reese's vibe.

[Nancy Mackin](#) - [Swedish fish](#). Favorite Valentine's candy though is [CONVERSATION HEARTS](#)!!!!

[Gabrielle Nadeau](#) - [Watermelon Sourpatch Kids](#)

[Melissa Duffy](#) - [Twizzlers](#), at the moment.

[Casey McClurkin](#) - [Trader Joe's](#) dark chocolate peanut butter cups!

[Paige Batchelder](#) - [Marzipan](#) is probably my favorite. Or those jellied grapefruit slices.

[Grey Terry](#) - [Reese Peanut Butter Cups](#)

## Market Update by Matthew Emery



2022 marked the end of one era in the financial markets and the beginning of another. As we transitioned from a market environment dominated by low interest rates and negligible inflation to one with significant inflation and rapidly rising interest rates, asset prices were affected across the investment spectrum. Stocks had previously been bolstered by the Federal Reserve's quantitative easing efforts following the Great Financial Crisis of 2007-08.

In 2022 that support was taken away as the Central Bank had little choice but to raise interest rates significantly to fight inflation. Furthermore, since bond prices are inversely related to interest rates, bonds also fell in value, providing virtually none of their traditional diversification benefits except for those bonds with the shortest maturities.

The S&P 500 index (with dividends reinvested) was down -18.11% in 2022 which was the largest annual decline since 2008. If we drill-down to specific areas of U.S. stocks, we see an extremely lopsided distribution of returns. Energy was the only sector with a meaningfully positive return in 2022, rising nearly 66% over the course of the year. The sector with the second-best returns for the year, Utilities, only managed a positive 1.6%. Conversely, the sectors that benefitted the most from the Federal Reserve's quantitative easing program in years past performed the worst in 2022. Technology stocks were down -28.2% for the year, Consumer Discretionary was down -37%, and the Communications Services sector fell by nearly 40%. All performance figures are as of 12/31/2022 and provided by J.P. Morgan Asset Management.

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Bonds, in most of their forms, provided little shelter from the storm in 2022. The Bloomberg Aggregate Bond Index, representing a broad swath of fixed income types, time to maturity, and credit quality was down -13% for the year. Bond prices are generally more sensitive to changes in interest rates if the time to maturity is longer so as we move down the maturity scale, the pain lessens. The Bloomberg 1-3 year Investment-Grade Corporate Bond Index was down -3.4%, The Merrill Lynch 1-year Treasury Note index was nearly flat at -0.19% and 0-3 month Treasuries, as measured by the ICE BA/ML US Treasury Bill Index was up +1.53% in 2022. Performance figures are as of 12/31/2022 and provided by Black Diamond.

Outside the U.S., Europe had the war in Ukraine and its effects on energy prices to contend with, and Emerging Markets faced stiff headwinds from a U.S. Dollar that was strengthening for most of the year, as well as the negative economic consequences of China's characteristically draconian measures to prevent the spread of Covid-19. The MSCI Developed Europe Index was down -15.06% in 2022 and the MSCI Emerging Markets (USD) Index fell by -22.37%. Performance figures are as of 12/31/2022 and provided by Black Diamond.

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Looking ahead to 2023, we would not expect an abrupt reversal of fortune for the asset classes and sectors that performed well during the 12+ years prior to 2022 but rather, a continuation of the current themes will likely persist at least until the Federal Reserve finishes its rate-hiking program and quite possibly during any subsequent period of steady rates. Most market watchers agree that the Fed will continue to raise rates at least with the first three meetings of the 2023, but those increases are widely expected to be more modest—25 basis points at each meeting, so the thinking goes.

We strive to make investment decisions based on current data, rather than on opinions, assumptions and hopes for how the future will unfold. That said, we will be especially mindful of data associated with the following areas in 2023:

- **Inflation measures and the responses from Central Banks:** The U.S. Fed's influence (both positive and negative) on asset prices is immense, so a moderation or cessation of interest-rate increases (which will only occur if inflation continues to wane) will likely have a moderating effect on investing returns. Still, the actions of the Federal Reserve tend to impact the economy on a lag as the higher rates work their way through the bond markets. The Fed predicts that the fed funds target rate will rest at 5.1% in 2023, accompanied by rising unemployment and little GDP growth.
- **The U.S. Economy and the potential for Recession:** By most measures, the Fed's rate-hiking program has not driven the economy into recession yet, but the rate-hiking cycle appears not to be finished quite yet. The yield curve (a famously consistent predictor of impending recessions when it inverts) remains more inverted than it has been since the early 1980's. On the other hand, the U.S. labor market, while showing some recent signs of softening, has remained remarkably robust during the current period of rising rates. It would be highly unusual if not impossible for a recession to take place absent a spike in unemployment. Whether the economy sinks into recession in 2023 or not, the investing implications of recessions are mixed, due to the lagged nature of recession declarations and the forward-looking tendency of the stock market.
- **Equity Valuations:** The S&P 500 ended 2022 with an average forward Price-to-Earnings Ratio (P/E) of around 17.6x. While market P/E's in this range became commonplace over roughly the last 10 years as interest rates remained low, the last time the average P/E for the markets was this high for any significant stretch of time was when the dot-com bubble was bursting at the turn of the century.



- **De-Globalization:** The pace of globalization appears to be on the wane and a continuance of such a trend could have profound and complex effects on economies and assets. As manufacturing gradually migrated to emerging market nations, it became increasingly difficult for non-college educated workers in developed countries to enjoy the same standard of living as their parents. This led to social unrest and an increase in populist rhetoric around the world. China has been increasingly viewed in an adversarial light by lawmakers on both sides of the aisle and the war in Ukraine has seemingly solidified two distinct sets of nations: Democracies and Autocracies. One example of reversing globalization, stemming from the war in Ukraine, has been the virtual end of Russian natural gas exports to Europe. As a result, Europe has relied primarily on the U.S. to fill the void, as U.S. liquified natural gas shipments to Europe increased by more than 137% in the first 11 months of 2022, according to commodities market data firm Kpler.
- **Stock market leadership and concentration:** Concentration in the stock market, where a small number of companies become so large that they have an outsized influence on the performance of their index has been on the rise in recent years. According to data provided by Strategas, the combined weight of the 6 largest stocks in the S&P 500 (AAPL, MSFT, GOOGL, AMZN, TSLA, and META) peaked at roughly 25% of the S&P 500 index in early 2022 decreasing ever since, now sitting at roughly 19% as of 12/02/22. The last time we saw concentration similar to this was in late 1999, just before the dot-com bubble burst. At that point MSFT, CSCO, WMT, INTC, NOKIA, and IBM had a combined weight in the S&P 500 of just over 15%. It is important to note periods of exceptionally high concentration because these stocks are widely held, and it also has implications for passive investing vs. actively managed investing. The 15% concentration in 1999 was high, the 25% concentration among the top five stocks that we saw in 2022 was unprecedented. If equity market concentration continues its present downward trend, in a similar fashion to the

waning concentration in the wake of the dot-com bubble, we believe that active investment managers will have an advantage over passive investment vehicles that mirror the index.

[Matt Emery](#) is our Director of Research & Portfolio Management.

## National Cancer Prevention Month



February is National Cancer Prevention Month. Maine has some truly amazing resources that are entirely devoted to helping patients and families coping with cancer. [The Maine Cancer Foundation](#) invests 100% of the funds it raises into awareness, prevention, and care of Maine people. Trevor Maxwell of Cape Elizabeth released [his book](#) in December and founded [Man Up to Cancer](#), an effort to increase awareness and strengthen community among men facing cancer. [Here is some information](#) from The American Cancer Society about social security disability insurance for cancer patients. [The Dempsey Center](#) is a wonderful resource for Mainers coping with cancer, and they offer workshops and classes to the public that you can learn more about by clicking [here](#).

## Mainer's Taste-Off



With the arrival of a few non-native-New Englanders to our team, we are finding out a lot of things are particular to our little corner of the country. For instance, [brown bread](#), [Moxie](#), and [Needhams](#). After much discussion and a few strongly held opinions, we decided to have a taste test to get people's reaction to these famous foods beloved by Mainers for years. And as Casey would say, we don't mean to "yuck your yum", but...

[Casey McClurkin](#) – I think this is going to really seal my “from away” status:

1. Brown bread: Bad with good potential if it was toasted and covered in butter and not made with molasses and not in a can and was white and was French bread.
2. Moxie: so bad I gagged. Tastes like if Robitussin and root beer got together. Two terrible tastes that taste terrible together.
3. Needhams: not bad, but definitely not good. If it was the only candy in the world, I would never eat candy again.

[Matt Emery](#) - I thought they were all good, I don't know what the big deal is. Of course I grew up on this stuff, and I'll eat pretty much anything but raw tomatoes.

[Natalie Munn](#) –

1. Moxie: 6/10, Moxie tastes a bit like a favorite drink of my home state, [Pennsylvania Dutch Birch Beer](#). The taste also reminds me of the Teaberry gum my mom used to chew. Overall, not bad... but I must stick with Birch Beer!

2. Brown Bread: 0/10, would not recommend. As someone who had never heard of such a thing before moving to Maine, I would have been content with never tasting it too. I will stick to fresh bread with a significantly shorter shelf life than two years.
3. Needhams: 3/10, This had the most potential of all three. It still fell short of expectations. It presents itself as a square Peppermint Patty but then fools you with mushy coconut. I would still eat this over brown bread any day, but that is not saying much.

### Nancy Mackin -

1. Brown Bread: I'm a northern Mainer. This is not something I haven't been served before. I was prepared. But I still dislike it. #GlutenFreeHasAdvantages
2. Moxie: In a pinch, I could handle this. But in a VERY small dose.
3. Needhams: Peppermint Patty and I go wayyyyyyyyyyy back. Ned Needham can try with all his might, but he'll never make me like him.



Gibson Wilkes - I tried my brown bread. I had it toasted with butter, toasted with cream cheese and smoked salmon, and toasted with apricot jam. I think the smoked salmon was my favorite. I actually really liked it all. I don't know what everyone is complaining about. And I love Needhams!

### Shana Bennett -

1. Brown bread: nostalgia in a can.
2. Moxie: good every once in awhile.
3. Needhams: If it didn't have coconut, maybe? But I'll pass.

[Paige Batchelder](#) – I’m the one who made everyone do this and feel badly about that now:

1. Brown Bread: Terrible. It smells like Worcestershire sauce. Like it should be meat but it’s “bread”. Had to throw my bite away in a napkin.
2. Moxie: It’s the brown bread of soda. See above.
3. Needhams: They want to be a Peppermint Patty, or a Mounds Bar, but instead they are just chocolate covered bummers.

[Grey Terry](#) -

1. Brown Bread – I like it. Seems more like cake than bread. Would make a great addition to the [doomsday bunker food stash](#).
2. Moxie – Not terrible, I imagine it tastes like [Dr. Pepper](#) but I have never had Dr Pepper.
3. Needhams – They are good if you like coconut. I would eat them if they were the only candy available for miles during a [Nor’easter](#).

## Bean Suppa



We can’t mention brown bread without thinking of the classic [New England tradition of Bean Suppers](#). Drive down a little country road in virtually any Maine town and you will eventually happen upon a church or community center with a sign out about their bean supper. Stop in and you’ll be treated like family by strangers. If you’re more of an introvert, you can have your own intimate [bean supper at home](#). Here’s a little [history on bean holes](#) in New England.

## Reminder



[February is Black History Month.](#) On Monday, February 20<sup>th</sup>, our office will be closed in observance of President's Day, a NYSE holiday. We will resume business as usual on Tuesday February 21<sup>st</sup> at 8:30am. Tax documents will begin to come out mid-month. If you have not received anything in the mail by mid-March, please contact us. You can also find tax documents online by logging into your account at [Fidelity.com](https://www.fidelity.com).



Our hearts are full of gratitude for you, our wonderful clients. To celebrate Valentine's Day, White Pine Wealth Management made a donation to the [American Heart Association](#) to spread the love and support a worthy cause.

As the snow flies and winter forges ahead here in New England, we want to wish you a Happy Valentine's Day. Wherever your heart takes you this month, White Pine Wealth Management **L♥VES** helping you get there.



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