March 2023 Investor Letter from Double Eagle Partners

I was recently reading a fascinating article in the Wall Street Journal about why it pays for individual investors to consult with friends and family regarding their investing ideas. Apparently, research has shown that it pays to ***not*** go it alone ***nor*** to leave it entirely in the hands an Investment Advisor.

The study showed that "overconfidence" (read "regrets & mistakes") can be a problem for investors when they choose to go it alone, they tend to have under-performing portfolios. The same overconfidence can be had when relying solely on an Investment Advisor that one retains to manage their portfolio. Because not every Advisor knows every product or market, nor can they predict every economic cycle (yes, I am admitting that I too do not know everything – please don't tell my kids!).

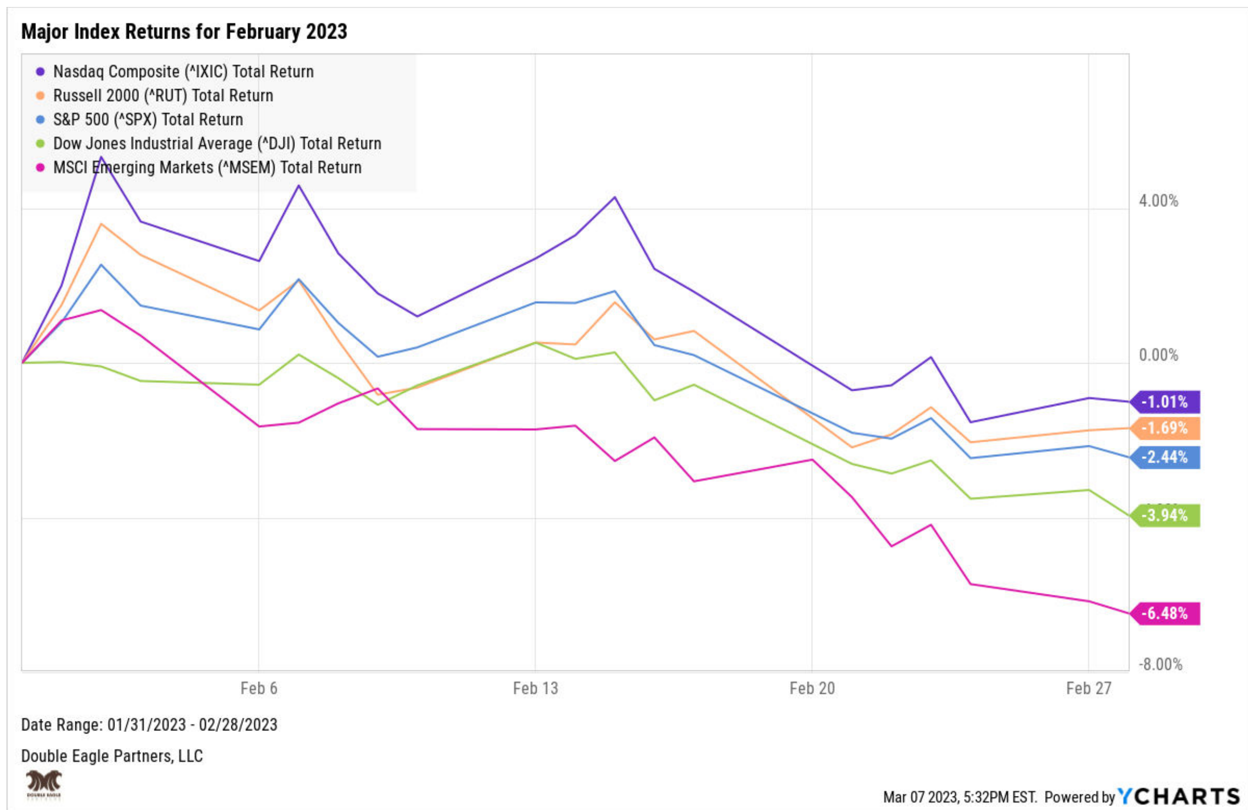
The study's findings suggest that Investment Advisors should actively encourage joint decision making within households and with their clients, using a cooperative and collaborative mindset. Sounds exactly like what we are doing together at **Double Eagle Partners**, doesn't it? If you agree, please tell your friends and family about us!

If you'd like to read the research paper, here is a link : https://doi.org/10.1093/jcr/ucac054

Stocks took a breather in February after a strong start to the year in January. The NASDAQ dipped 1%, the S&P 500 fell 2.4%, and the Dow Jones sank 3.9% following the conclusion of a disappointing Q4 2022 earnings season. February was the second straight month in which the NASDAQ outperformed other major US indices, signaling renewed strength in growth stocks. However, let's not forget the year-on-year the NASDAQ and Emerging Markets are still down 16% and 15% respectively, still in correction territory. The small-cap Russell 2000 index fell 1.7%, also outperforming the large-cap S&P 500 and blue-chip Dow Jones indices for the second month in a row, in line with our portfolio strategy to favor small-cap value stocks.

Technology was the only positive sector in February, rising 0.4%. Energy was at the bottom of the pack with a 6.9% decline as oil prices fell in February. Utilities had the second-worst performance in February, falling 5.9% as many utility stocks, often regarded as bond substitutes, face growing competition from US treasury yields.

And while one month does not maketh the market, neither does it confirm our longer-term strategy. It does however allow us to feel good about our investment strategy of remaining conservative and increasing cash positions until given a good reason to get bullish again.



In February, US Unemployment Rate **fell to its lowest level in over 50 years** and labor force participation increased month-over-month. Inflation came in about flat at 6.41% while the Consumer Price Index and Personal Spending logged their highest monthly advances in several months. The US ISM Manufacturing PMI also bucked eight straight monthly declines in February. Lastly, the housing market continued its cool down, as MoM US Existing Home Sales fell for the 12th-straight month and the US median existing home price dipped another 2%. The mixed messages coming from the data do not give me confidence that the Fed will be able to negotiate a so-called "soft landing" for the economy as they try to rein in inflation.

US Treasury yields eclipsed 5% for the first time since July 2007. That's a big deal when trying to slow down the over-heated economy while allowing savers and those retirees invested in bonds to at least ***try*** and keep up with inflation! Rates on the 6-Month and 1-Year Treasury Bills at the end of February were 5.17% and 5.02%, respectively. A risk-free rate at these levels is almost too good to be true and has retail investors clamoring for T-Bills. We are taking advantage of this gift in T-Bills by using the exchange traded fund SGOV. The 10-Year Rate was the lowest point on the yield curve for the second straight month, but its 3.92% yield as of February's end represents the steepest inverted yield curve in a generation. While all episodes of an inverted Treasury yield curve have not always lead to a recession, ***ALL*** recessions have been preceded by an inverted yield curve as a tell-tale sign of their approaching doom.

We'll be ready for this one, which may have already started. You heard it here first.