JUNE 2023

THE MERRITT POINT MINUTE

GUIDING CLIENTS THROUGH THE COMPLEXITIES OF WEALTH MANAGEMENT

WELCOME TO WESTPORT

We are excited to announce the opening of
our second office located at
274 Riverside Avenue, 2nd Floor in Westport, CT.

EVENTS

OLD GREENWICH
SPRING COCKTAIL PARTY

Wednesday, June 7th
5PM - 7PM

1700 East Putnam Avenue, Suite 200
Old Greenwich, CT 06870

Please RSVP to
info@merrittpointwa.com

UPCOMING NYSE HOLIDAYS

*Please be advised that our offices will be closed in observance of the following market holidays:

JUNETEENTH
Monday, June 19th

INDEPENDENCE DAY
Tuesday, July 4th

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MERRITT POINT WEALTH ADVISORS℠

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274 Riverside Avenue, 2nd Floor Westport, CT 06880
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Economic Commentary

TEAM ANNIVERSARIES

Celebrating anniversaries this quarter are:

Ingrid Dikmen
Senior Vice President - Investments
Senior PIM Portfolio Manager
2 Years

Jonathan Nuzzacci
Senior Vice President - Investments
1 Year

In the first quarter of 2023 markets remained turbulent following a difficult 2022 calendar year. Investors seeking a plausible way forward have been met with mixed headlines often resulting in perplexing market reactions, for example weak economic data precipitating bull rallies and vice versa. At the center of these unusual circumstances is Fed Chair, Jerome Powell who faces the challenge of moderating inflation; a precarious balancing act of slowing an overheated economy without stalling it out entirely. After the steepest series of rate hikes in history all eyes are on the Fed, turning financial analysts into psychoanalysts attempting to glean any indication of upcoming policy decisions from Powell's intentionally guarded words. Although the current 5% Fed funds rate is a far cry from the >20% rates seen in the early 1980s, mid to high single digits come as a culture shock to companies and consumers alike after a decade of near-zero rates.

The Fed has acted aggressively in raising and maintaining higher rates, attempting to smash what has been a relatively sticky inflation. Powell has been keen to avoid a wish-washy stance, the sort of which triggered a lingering back and forth battle with inflation through the 70's and 80's. How long this can continue remains an open question as Fed action has caused cracks to appear in the US financial system. In early March regional banks Silicon Valley Bank and Signature Bank collapsed and were ushered into government receivership, later to be bought out by First Citizens and Flagstar Bank respectively. First Republic Bank limped away from the fallout badly wounded, eventually failing and being bought out by JP Morgan in early May.

The Fed's meteoric rate rise has caused a liquidity crunch across the entire banking sector. Banks, subject to cash reserve requirements, invest their collateral dollars in interest yielding assets; typically, treasuries and mortgage-backed securities. As the Fed raised rates, the market value of these assets fell, creating a liquidity issue. Not to be confused with a solvency issue, like that of the 2008 Great Financial Crisis, where banks had invested in fundamentally unsound "toxic" assets. These are ostensibly boring safe investments and will be worth 100 cents on the dollar. Just not right now.

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Depositors, however, sometimes demand their money right now. If enough depositors demand their money at once, you have a "bank run". If the Fed continues to raise rates, these collateral assets will continue to lose short term value, pitting the Fed's inflation mandate against the stability of the broader financial system.

Another factor at play is the "bank walk" scenario, which is having a toll on deposits as well. Banks, already under pressure, are not in a position to raise yields on customer savings accounts. With an average yield of about .25% APY, many customers are turning towards money market funds, CDs, and treasuries which are yielding close to the current 5% fed funds rate. This is the definition of "between a rock and a hard place".

ROB SCHAEFER, CFP®
SENIOR WEALTH PLANNING STRATEGIST

Merritt Point Investment Team Update

The first quarter of 2023 was fascinating, from the strength right out of the gates in January straight into a regional banking crisis. Despite continued fears regarding interest rate risk taken on by regional banks, the market marched higher. However, as deposits flee to the safe havens of large banking institutions, deepening cracks in the regional banking system continue to expose themselves on what seems to be a daily basis.

Fortunately, we strive to position ourselves to endure volatility & opportunistically capitalize in a market that may find positive traction when systematic banking fears & the debt ceiling are resolved.

Going into Q1 we were cautious about the outlook in the first half of the year and favored positions in beaten down high quality growth companies. We were vindicated in our thesis that the broad sell-off in 2022 had not differentiated between the Cathie Wood stocks of the world & growth names with positive free cash flow.

TEAM BIRTHDAYS

David C. Belport
Managing Director - Investments
Senior PIM Portfolio Manager
June 3rd

Sheila Spicehandler, CRPS®, APMA®, MBA
Senior Vice President
June 16th

Ted A. Youngling
First Vice President - Investments
July 11th

Ross Bauer
Founder, COO
July 12th

Jason S. Andrews, CRPC®
Founder, CEO
July 24th

AWARDS & RECOGNITION

2023 Wells Fargo Advisors Platinum Council Members

Anthony D'Ambrosio
Director, Partner
Wealth Advisor -
PIM Portfolio Manager

Michael A. Salimbene
Director, Partner
Wealth Advisor -
Senior PIM Portfolio Manager

The Platinum Council (previously known as Premier Advisor) distinction is held by a select group of Financial Advisors within Wells Fargo Financial Network as measured by completion of educational components, business production based on the past year, and professionalism. Additional criteria, best practices and team structure, may also be used to determine recipients.

Going into Q2 we strengthened our commitment to the theme of quality in what could be choppy markets. We are extremely cautious when it comes to floating rate & banks loans as credit spreads have remained relatively calm, however, if economic slowing continues we could see them blowout & defaults begin to come. Although we do not think these risks are imminent, we have been reviewing strategies to get ahead of these potential issues in Q3/Q4.

Since economic forecasts in the second half of the year are pretty negative, this seems like reasonable precaution to take. Additionally, there are higher graded credit opportunities in the short-term that are yielding at high enough levels that there isn't sufficient reward as we potentially tip into recession.

For the first time in over a year, with the Federal Reserve headed towards a pause on rate hikes, the risk-reward on adding duration to portfolios is as appealing as it has been in over a decade.

The other asset class we're in favor of, that has done tremendous in 2023 is International. Another asset class that has been out of favor since the mid-2000's, but is a very interesting opportunity at the moment. In a market that is fixated on valuation, the EAFE, is trading at 14x P/E ratio while the S&P is still near a 21x P/E. Investors obviously will place a premium on US companies, however, this distortion was too big even going by historical standards.

As we are concerned by declining earnings estimates across the board, we favor defensive positions. We look to higher quality asset classes to give us confidence to ride out an economic contraction in the second half of the year. We can help with strategies designed to reduce volatility and provide opportunities to take advantage of continued market distortions.

MAX GOLDFARB
SENIOR ASSOCIATE

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Just Married!

On May 6th, our COO Ross Bauer married his wife Samantha in Larchmont, New York. Our CEO Jason Andrews (pictured right) was also there to celebrate this wonderful day. From all of us here at Merritt Point we would like to congratulate Ross and Samantha and wish them a lifetime of happiness together.

A Message From Our CEO

As the first half of 2023 winds down, we were able to navigate through some challenging financial markets, as well as another tax season. In 2023 we not only celebrated our four year anniversary, we added four financial advisors and a senior associate to our Merritt Point family; Ted Youngling, Dave Belport, Steve Belport, Dan Dodderidge and Samantha Belport.

Thank you to our clients, family, friends and business partners for continuing to support our growth. I'm excited for our future together as we navigate through these ever-changing economic cycles.

Enjoy the Summer!

JASON S. ANDREWS, CRPC®
FOUNDER, CEO

FORBES 2023 TOP WOMEN WEALTH ADVISORS BEST-IN-STATE

Beth Cutler
Founder, President

We are pleased to announce that Beth Cutler has been recognized as a Forbes 2023 Top Women Wealth Advisors Best-In-State. This recognition serves as a reminder that we are committed to working every day toward the financial success of our clients.

The Forbes 2023 Top Women Wealth Advisors Best-in-State rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self-completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the disclosed criteria.

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