

APRICUS

The Latin motto Festina Lente or Make Haste Slowly is a truism that suggests that progress is best achieved by avoiding errors.

The paradox has been symbolized as a crab holding a butterfly, a tortoise with a ship's sail on its shell, and a dolphin swimming around an anchor. The symbols remind us to balance progress and prudence at a moment when both seem to be in short supply. In this note, we will attempt to connect dramatic reversions in commodity prices, bank failures, and our view of how to approach uncertainty.

BUT SAFETY FIRST

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FREE RANGE

Over the last two years, the price of a dozen eggs in the United States has ranged from 74 cents in June of 2021 to \$5.29 in January 2023. At the same time, the price of a barrel of WTI oil has ranged from under \$60 a barrel in April of 2021 to almost \$120 last March, and now in March 2023 is under \$70. Lumber priced in 1,000 board feet has ranged from \$1686 in May 2021 to

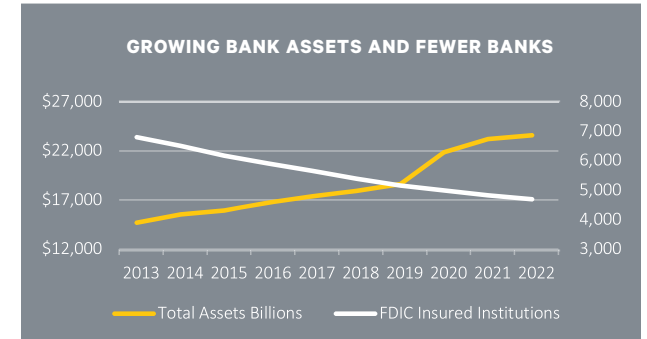
a recent price of \$344. (Source: Trading Economics.com) The dramatic changes in price were the result of avian influenza, the war in Ukraine, and Covid factory shutdowns which resulted in supply shortages of eggs, oil, and lumber.

**Commodity traders like to say:
The solution to high prices is high prices
and the solution to low prices
is low prices.**

Changes in supply, demand, and price work together to allow buyers and sellers to transact. High lumber prices, for example, forced end users like do-it-yourself homeowners, to postpone home improvements rather than pay high prices. And, high prices also incented some suppliers to increase production. In markets that freely operate, prices help allocate resources to areas in need and away from areas where there is excess.

High inflation induced central banks to hastily reverse decades of interest rate suppression. Interest rates are the "price" of time and, as bond and mortgage yields have sharply increased, the change has and will create unintended consequences both in the United States and, importantly, outside of our country. Most recently, there were runs on the deposits of several smaller and less well-structured U.S. banks as their customers sought safety and or higher returns. We believe large, well-capitalized banks are safe and in 2023 smaller banks will curtail lending and continue to merge into larger companies.

04.23



Source FDIC.gov

LOOKING FORWARD

Less bank lending will be a drag on the economy, but consumers remain positive and the labor market is tight. The Federal Reserve Bank will have to carefully consider its options for the remainder of the year as stagflation, a combination of little or no economic growth, and inflation is now becoming more likely. Inflation should stay above 3% into 2024 and our view of rising recession risks toward the end of 2023 remains in place.

PAID TO WAIT

We view this moment where uncertainty is high, as a reminder of the importance of anchoring investment returns with the long-term growth of portfolio income. Prices will move up and down but cash income is always additive to returns and importantly is earned and received now, not in the future. Keeping a long-term perspective about rising or falling prices is easier while portfolio income is growing. In short, a supply of regular and growing income will always be in demand.

*Gratefully,
Joe, Jim, Ernie, Susi and Lisa*

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