

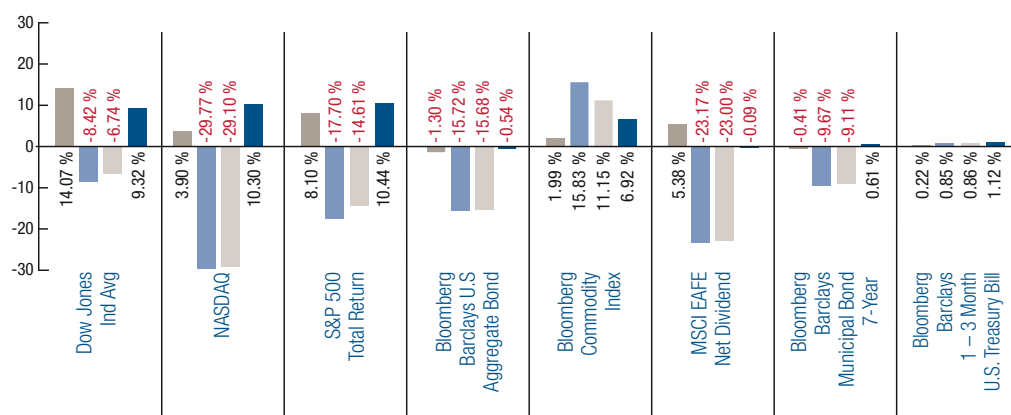
From the Office of Jeff Sgroi, CFP®



“Democracy is not a spectator sport.”

— Marian Wright Edelman

Asset Class Returns (as of October 31, 2022)



Market & Economic Synopsis

- In the United Kingdom, Liz Truss' run at Prime Minister ended after only 44 days in office following a market revolt after the announcement from her cabinet to debt-fund tax cuts.
- The U.S. economy added 261k jobs in October, exceeding analyst expectations, while the unemployment rate rose to 3.7%.
- On October 5th, the OPEC group decided to reduce oil production by 2 million barrels per day. A strong dollar and heightened recessionary risk have reduced oil prices about 20% from midyear.
- Of the companies that have reported Q3 earnings, 70% have reported sales above estimates, which is trending upwards, but is still below the 5-year average of 77% and the 10-year average of 73%.
- Hiring freezes and layoffs continue across the technology industry. Tech giants such as Amazon, Meta, and Apple have all put a halt to hiring with recession fears looming.
- Fannie Mae's Home Purchase Sentiment Index dropped in October for the eighth month in a row, as the 30-year fixed-rate is averaging more than 7.2%.
- The Fed approved its fourth consecutive 75 bps hike on November 2nd, driving the Fed Funds rate to more than 4%, its highest level since 2008.

Market Update

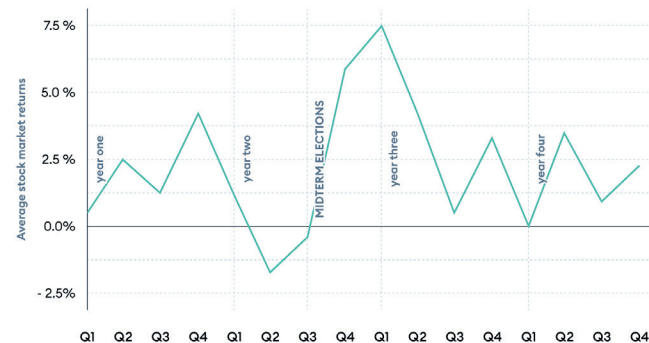
Midterm elections are front of mind for many investors. Interestingly, we are able to glean many market trends prior to, during, and following this politically contentious period within our four-year election cycle. At the time of this writing, votes were still being counted. Regardless of upcoming results, history has been an incredibly good guide in predicting market behavior, regardless of blue waves, red waves, or a split Congress. Our friends at Forbes and Capital Group share a number of key takeaways.

Stocks Tend to Drop Prior to Midterm Elections

This has been all too evident in 2022. Since beginning 2022 at all-time market highs, investors have endured inflation reaching multi-decade highs, conflict initiated by Russia, a spike in oil and energy prices, and a heavy sell-off in recent Wall Street darlings (specifically, mega cap technology stocks). Whether or not the above noted events are coincidentally timed with President Biden's sophomore year as POTUS, timing has not favored the market. As the chart to the right shows, the two quarters leading up to the mid-term elections have been historically weak. Thankfully those two quarters are behind us.

Average Market Returns During a Presidential Term

Markets underperform in the lead-up to the midterms, and then outperform after the election



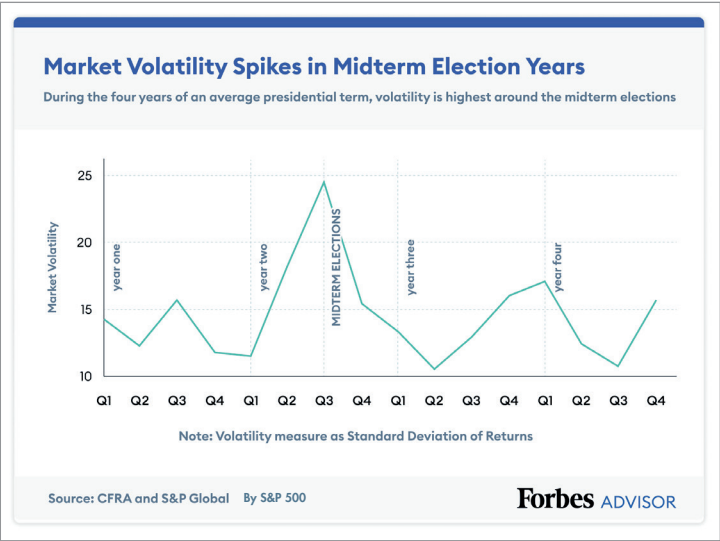
Source: CFRA and S&P Global By S&P 500

Forbes ADVISOR

Volatility Spikes in Midterm Election Years

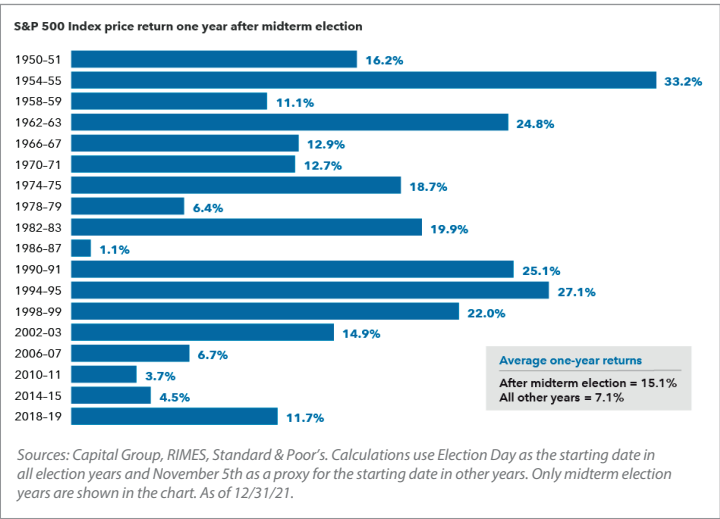
Intraday, daily, weekly, and monthly market swings have been exceptional in 2022. Volatility can be both upward and downward movement, of course. For example, after consistent weakness the first nine months of the year, the Dow Jones Industrial Average delivered its

best one-month performance since 1976. If history serves as an accurate guide, we should expect volatility to taper off in the near future.



Market Returns Are Historically Strong After Midterm Elections

We firmly believe that the market “pendulum” returns to a more central “mean” after swinging too far in any direction. The market selloff the first nine months of 2022 could play well into a historically consistent strong rebound, post midterm elections. Certainly a potential global recession and ongoing geopolitical concerns could derail a strong market rally. There are very few instances where history bats 1,000. However, as the chart below demonstrates, S&P 500 Index returns after a midterm election appear to be both statistically significant and consistent.



In conclusion, there are plenty of reasons for optimism the remainder of the year and into 2023.

From the Officefront

Zach Mobilian, who started with our office in May, recently successfully completed the third of his three scheduled securities licensing exams. The SIE, Series 7, and Series 66 exams are all required for investment advisor representatives to work with clients in multiple states. Congratulations, Zach!

Our office is excited to announce a relaunch of Riskalyze – an interactive risk analysis and management tool. You may have noticed a hyperlink in our email signatures asking, “What’s Your Risk Number?” In addition, you may click the link [here](#) to access the tool. We encourage you to take a few moments to either complete the questionnaire for the first time, or provide a more current, updated risk profile if you have completed the analysis previously. The more current information and feedback we have from you, the better we can serve your needs!

From the Homefront

Hockey season is underway! Hannah and Lily were invited to participate in a 10U youth travel hockey team this winter. Their first tournament was held in Denver this past weekend, with mixed results. Although their team went winless over four games, there were plenty of smiles from the group, many of whom were playing in their first hockey games ever. Hannah’s highlight of the weekend was being the only team member to get a penalty (1:00 minor for hooking), while Lily’s highlight was staying out of the penalty box!



hope to meet some stiffer competition!

An equally fun soccer season wrapped up just days before hockey season began. The twin’s team (The Tarantula Champs) had an undefeated season that culminated with three wins in the final soccer tournament. Next year, we

Index performance is shown for illustrative purposes only and does not reflect the deductions of fees, trading costs or other expenses, which will affect actual investment performance. You cannot invest directly in any index. Individual results may vary. Past performance is not a guarantee of future results. There is no assurance any of the forecasts mentioned will occur.

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The DJIA index covers 30 major NYSE industrial companies. The NASDAQ represents 4500 stocks traded over the counter. The S&P 500 is a broad based measurement of performance of 500 widely held common stocks. The Barclays Aggregate Bond Index is a diversified index measuring approximately 6,000 investment grade, fixed-rate taxable securities. The Bloomberg Commodity Index is a diversified benchmark for the commodity futures market. The MSCI EAFE Index is designed to measure the equity market performance of developed markets excluding the U.S. & Canada. The Barclays Municipal Bond Index is a measure of the long-term tax-exempt bond market with securities of investment grade. The Citigroup Broad Investment Grade Bond Index is market capitalization weighted and designed to track the performance of U.S. dollar-denominated bonds issued in the U.S. investment-grade bond market.

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