RAYMOND JAMES®

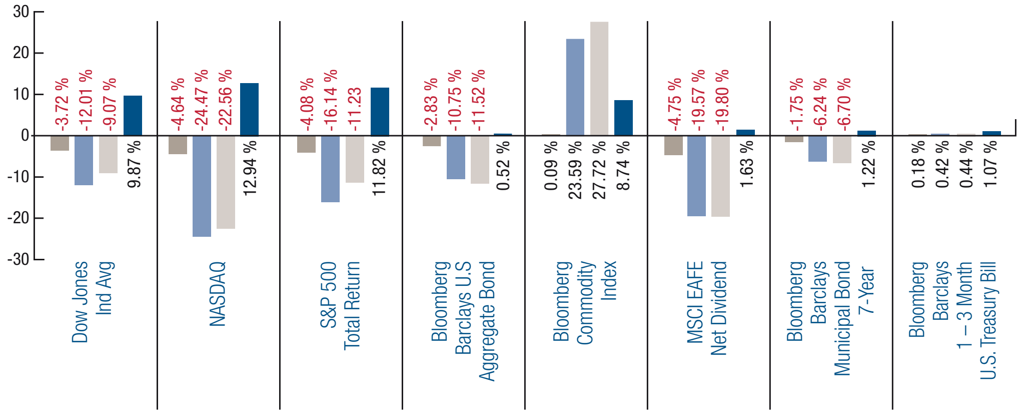
market update

From the Office of Jeff Sgroi, CFP®

"History doesn't repeat itself,
but it often rhymes."

– *Mark Twain*

Asset Class Returns (as of August 31, 2022)



Market & Economic Synopsis

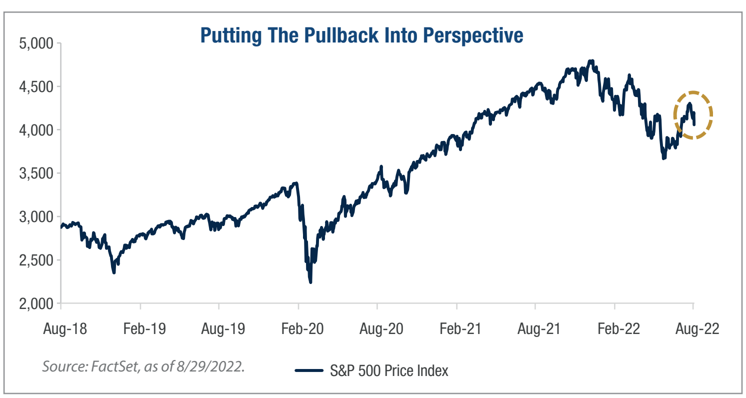
- The Federal Reserve continues hawkish stance with 0.75% rate hike in July; additional hike expected at September meeting.
- President Biden announces Student Debt Relief Plan, providing forgiveness of up to $20,000 per borrower.
- Bitcoin drops below $20,000; cryptocurrencies, meme stocks, and NFTs (non-fungible tokens) suffer heavy losses in 2022.
- The Inflation Reduction Act of 2022, passed August 16, 2022, legislates $737B in spending toward healthcare cost reductions, investment in clean energy, and tax code enforcement.
- Eurozone scrambles for energy solutions, as Moscow halts gas flow through Nord Stream pipeline for "scheduled preventative work."
- Gold drops for fifth straight month, as markets expect Fed to keep monetary policy tight for foreseeable future.

Market Update

A Little Perspective

Since our last *Market Update* in early July, we enjoyed a nice rebound in both equity and fixed-income prices, but subsequently endured a two-week sell-off since mid-August. As of this writing, the markets have not retested the mid-June lows.

Market and portfolio losses are an unpleasant reality for all investors at some point in our financial lives. Putting short-term losses into perspective may offer some consolation, though. The past four years have generally offered strong market performance, as measured by the S&P 500. During this four-year window, we experienced dips in the final quarter of 2018, as well as a steep sell-off in early 2020. In retrospect, the backside of those dips proved to be excellent opportunities to add to equities, and at the very least, periods where investors were well-served staying in the market. In my 24 years of experience in this profession, there have been many other time periods that played out similarly to the past few years.



Source: FactSet, as of 8/29/2022.

Upcoming Mid-Term Election Tidbits

Readers of our *Market Update* know I am a student of history, and thoroughly enjoy market statistics and metrics that offer relevant guidance and set expectations for the future. As we noted in an earlier *Market Update*, the second and third quarters of a mid-term election year (i.e., April 2022 – September 2022) are historically the weakest of all 16 election cycle quarters. 2022 performance has thus far played out accordingly into this expectation.

Furthermore, one of the most common questions I have recently fielded is, "How will the November elections affect the markets?". Interestingly, Investor's Business Daily recently completed a study addressing this very question. The following are S&P 500 two-year return averages (dating back to 1958) following mid-term elections, for the three potential results:

- Divided Congress: +18.7%
- Rubber-stamp Congress run by president's party: +17.3%
- Unified Congress controlled by the party in opposition to the president: +15.7%

The takeaway is that two-year periods following the mid-year elections have, on average, been incredibly strong, regardless of election outcomes. As I have discussed with several clients lately, the markets enjoy the certainty of election outcomes, likely providing a catalyst to upside movement.

'Now I understand why Dad was always in a bad mood'

I came across a rather comical white paper penned by Linda Duessel (Senior VP, Senior Equity Strategist with our friends at Federated Hermes) entitled 'Now I understand why Dad was always in a bad mood,' after a quote from an advisor referring to the stagflationary 1970s. Are we headed for a repeat of the 1970s, given our current inflationary challenges? An aggressive Federal Reserve, highlighted by hawkish comments from Fed Chair Jerome Powell this past week, indicate the Fed's confidence in handling inflation better than their predecessors of the 1970s. Of course, this remains to be seen, and until the data proves the Fed right, we continue to live in a high-inflation environment that our country has not experienced in over a generation. Nonetheless, there are always bright data points from which we may glean, as Ms. Duessel elucidates.

- Retail spending remains strong – Q2 2022 GDP revised figures indicate a negligible dip, as Americans continue to travel and spend. In addition, the August Consumer Sentiment Index rose to a 3-month high, likely due to falling gas prices, freeing up disposable income for many.
- Peak inflation may have already hit – Although still well above Federal Reserve targets, July core PCE prices rose less than expected. Markets don't care so much about absolutes (good or bad) as they do relativity (better or worse).
- Manufacturing hopes – As an important economic indicator, July's manufacturing data provided additional room for optimism. Orders for both durable goods and capital goods increased or rose more than expected suggesting U.S. manufacturing remains expansionary.

Although the trend for 2022 remains downward, it has been my experience that while bottoms in the markets are being made, it is typically an unsettling time for investors. Data and history lead me to believe we have reason to be optimistic, though.

From the Officefront

2022 has been a dynamic year in the financial markets, our national economy, and for global events.

On a smaller scale, we have had an equally eventful year within our office and branch locations. As of the end of August, Denise Odde retired from our Casper, Wyoming office. Denise was part of our team over the past eight years, though her career within finance and Raymond James began many years earlier. In a word, I am grateful for Denise's reliability, professionalism, and expertise she exuded while we worked together. At the same time, I am excited for her to have more time with her family and for herself. It is well deserved! Thank you, Denise, from all of us.

As we have discussed with many of you already, our commitment to serving you remains the same. In our efforts to maintain a strong support team, Alyssa Vidrine (Senior Registered Branch Associate – Admin Extension) joined our team in the beginning of 2022. Zach Mobilian (soon-to-be Registered Associate – Aspen, CO) joined our office in May 2022, after spending the last five years with BlackRock. Susan Gomes (Client Service Associate – Aspen, CO) has anchored our Aspen location since 2014.

I remain your financial advisor and am proud to have worked out of the same office and with the same firm since 1998.

From the Homefront

The transition from summer to autumn can be a tough one, especially for school-aged kids. It certaiinly was the case for Lily, who went from slamming bluefish this summer (check out this 18#er!) to a cast, after falling off the monkey bars at recess and breaking her wrist, just a few weeks later.

Stella begins her third year in middle school (7th grade) and tells me she is on pace to complete her entire year's math assignments by the end of the first trimester. She continues to read at a voracious pace – much like her mom! Lily and Hannah are in their final year of elementary school and tell me that although recess is their favorite "subject," they particularly enjoy their new STEM (Science, Technology, Engineering, Math) teacher.

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