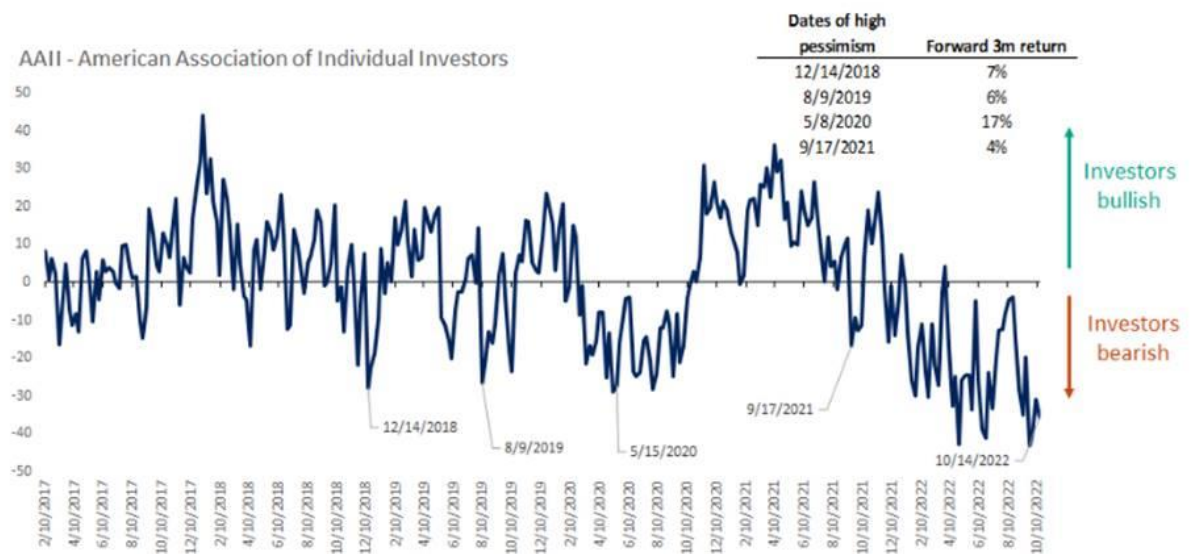


Monday, October 24, 2022

Good afternoon:

Stocks continued their rebound last week from highly oversold conditions on the heels of several key earnings reports from the nation's largest banks indicating solid consumer spending and low delinquency rates. The rally was broad-based and stretched all the way to Friday's close. For the week, the S&P 500 gained 4.75% and the NASDAQ added 5.22%. A continuation of this upward trajectory may require the balance of Q3 earnings reports to be similarly positive.

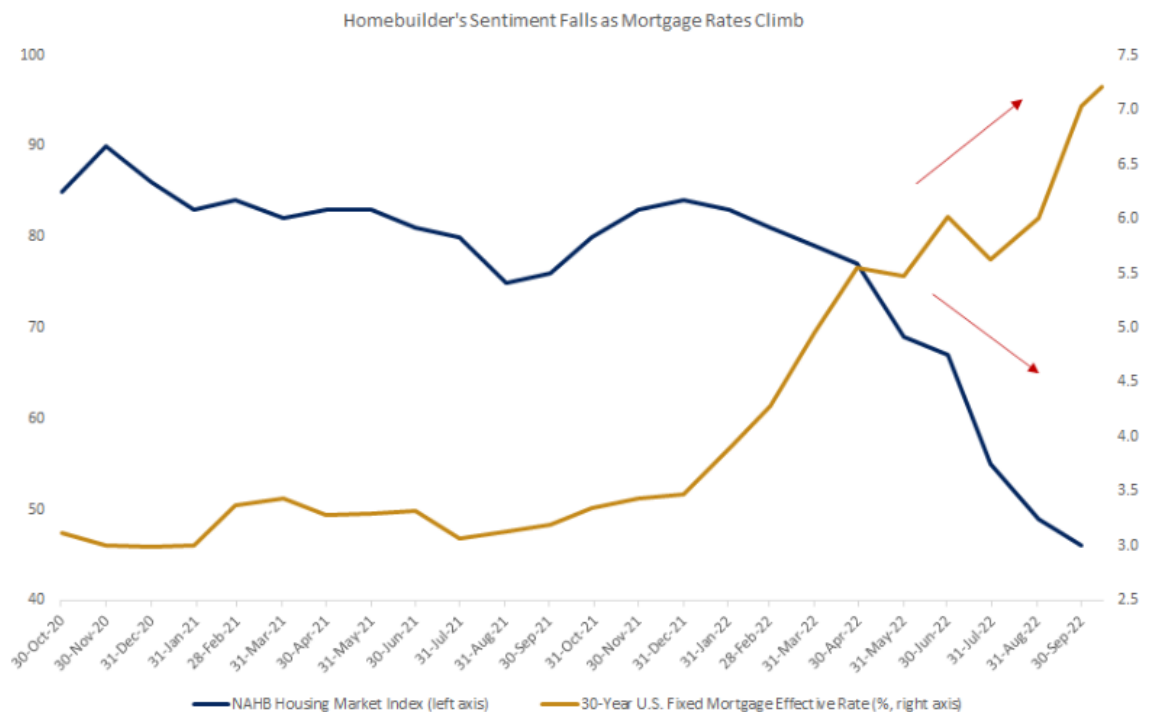
In the face of so much uncertainty and general anxiety about persistent inflation and an aggressive Fed, it's no wonder that investor sentiment fell to extremely pessimistic levels at the start of this month. According to the AAI Bull-Bear Sentiment Indicator, investors were the most pessimistic since the financial crisis of 2008. When the majority of traders and investors all line up behind one narrative, either bullish or bearish, it can often prove contrarian. As this chart illustrates, subsequent stock market returns have been generally positive when sentiment is bearish and used as a contrarian indicator.



Source: The S&P 500 is an unmanaged indicator and cannot be invested in directly. Past performance is no guarantee of future results.

Source: [www.edwardjones.com](http://www.edwardjones.com)

In order to sustain this current rally, however, it may ultimately require the long-awaited Fed pivot to a less aggressive monetary tightening posture. Stubbornly high inflation fueled by rising wages and energy prices is proving difficult to tamp down. Some economists are urging the Fed to consider *pausing* their hikes to give the areas of the economy that are clearly slowing, like the housing market, a chance to be reflected in upcoming inflation data. The chart below illustrates how sharply homebuilder sentiment has fallen as mortgage rates have soared this year. Ignoring this type of lag may have been part of the reasoning behind the Fed's costly decision to wait so long to start normalizing rates at the end of the pandemic. As the philosopher George Santayana famously said, *"Those who cannot remember the past are destined to repeat it."*



Source: Bloomberg

Today's start to the week is a mixture of both positive moves in many industrial and financial issues, and some potentially negative news to many technology companies pertaining to China's President Xi strengthening his grip on power. However, the broader issues still remain the Fed's next move and the balance of reports and guidance from this earnings season.

With the midterm elections coming in less than three weeks, we will be hosting two different exclusive Loftus & Preusser Wealth Partners client calls/webinars -- one just before and one shortly after the November 8<sup>th</sup> midterms. Each will feature a guest presenter from one of our partner organizations to provide additional insight and their distinct perspective on

the current and upcoming market and economic climate. Keep an eye out for the separate email invitations in the coming days!

Have a great week!

Mark and Jeff

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The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

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The companies engaged in the communications and technology industries are subject to fierce competition and their products and services may be subject to rapid obsolescence.

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Investing in emerging markets can be riskier than investing in well-established foreign markets. Investing involves risk and investors may incur a profit or a loss.

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Market return and statistical data obtained from: [https://am.jpmorgan.com/blob-gim/1383452890099/83456/weekly\\_market\\_recap.pdf?segment=AMERICAS\\_US\\_ADV&locale=en\\_US](https://am.jpmorgan.com/blob-gim/1383452890099/83456/weekly_market_recap.pdf?segment=AMERICAS_US_ADV&locale=en_US)  
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