

Tuesday, January 3, 2023

Good afternoon:

As we begin what we all hope will be a better year for investors, it is worth remembering why 2022 was so challenging. Starting last year on the heels of a twenty-month economic and market expansion, stocks hit their peak for all of 2022 one year ago today on January 3, 2022. Just as fiscal and monetary stimulus applied by the Fed during the pandemic contributed significantly to the strong market performance in 2020-21, the reversal of these policies had the opposite effect.

Spiraling prices, partially due to higher energy, food, and housing costs, sent inflation rates to levels unseen in 41 years. Strong consumer demand for goods and services along with tight labor markets created the necessity for the Fed to try and make up for its prior complacency by taking an historically aggressive stance towards monetary tightening. By year's end, the Federal Funds Rate was hiked seven times for a total increase of 4.25%.

FOMC Meeting Date	Rate Change (bps)	Federal Funds Rate
Dec 14, 2022	+50	4.25% to 4.50%
Nov 2, 2022	+75	3.75% to 4.00%
Sept 21, 2022	+75	3.00% to 3.25%
July 27, 2022	+75	2.25% to 2.5%
June 16, 2022	+75	1.5% to 1.75%
May 5, 2022	+50	0.75% to 1.00%
March 17, 2022	+25	0.25% to 0.50%

Source: Forbes.com

In response, equity valuations contracted even though earnings continued to rise. The price investors were willing to pay for companies as a multiple of their future stream of earnings dropped significantly under the assumption that due to the Fed's actions, the economy and corporate earnings would eventually soften. Newer growth companies yet to show any profits were hit particularly hard with massive price declines.

Overall, a long-awaited shift in leadership from Growth to Value companies finally materialized in 2022. Led by Energy, Utilities, Industrial, and Healthcare sectors, these previously underperforming areas of the market either produced gains or served to help cushion some of the sharp declines in Technology, Consumer Discretionary, and Communication areas of a diversified portfolio. Although all major benchmarks posted losses, the Growth v. Value disparity was clearly evident in the results of the Dow - 8.8% and the NASDAQ -33.1%, with the S&P 500 splitting these averages posting -19.4% for 2022.

As much as we might like, crossing into a new calendar year does not magically create a new investment or economic climate. Economies exhibit a cyclical process of boom and bust that has been witnessed for centuries. However, many of the expectations for 2023 have the potential to translate into what we believe can be better results for client portfolios this year. Much of it will be based on when the Fed can downshift to a less aggressive posture in its fight against inflation. Other key factors will be whether consumer spending remains robust, the labor market cools, and the severity of corporate earnings contractions. These data points will all take

time to reveal themselves, during which markets are likely to remain volatile and range bound.

As investment managers, we recognize that steadfastness and a long-term time horizon are historically important aspects to strategic investment management but can prove frustrating and test one's patience during challenging times like these. We intend on remaining focused on quality and defensive equity areas as part of a well-diversified investment strategy.



It is our primary goal to help each of our clients achieve their unique investment and financial objectives, serving as their guide to navigate the ever-changing and often turbulent investment waters on this journey together.

Have a great week and a very happy new year!

Mark and Jeff

Mark S. Loftus, CFP®

Managing Partner & Founder, LPWP
Registered Principal, RJFS

Jeffrey C. Preusser, CFP®

Senior Partner, LPWP
Registered Principal, RJFS

O: 630.566.9200 // T: 844.890.8750 // F: 630.566.9292
1901 Butterfield Road, Suite 100, Downers Grove, IL 60515
www.loftus-preusser.com



Loftus & Preusser Wealth Partners is not a registered broker/dealer and is independent of Raymond James Financial Services. Securities offered through Raymond James Financial Services, Inc., Member FINRA/SIPC. Investment advisory services offered through Raymond James Financial Services Advisors, Inc.

Raymond James Financial Services does not accept orders and/or instructions regarding your account by e-mail, voice mail, fax, or any alternate method. Transactional details do not supersede normal trade confirmations or statements. E-mail sent through the Internet is not secure or confidential. Raymond James Financial Services reserves the right to monitor all email.

Any information provided in this e-mail has been prepared from sources believed to be reliable but is not guaranteed by Raymond James Financial Services and is not a complete summary or statement of all available data necessary for making an investment decision. Any information provided is for informational purposes only and does not constitute a recommendation. Raymond James Financial Services and its employees may own options, rights or warrants to purchase any of the securities mentioned in e-mail. This e-mail is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material. Any review, retransmission, dissemination, or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited. If you received this message in error, please contact the sender immediately and delete the material from your computer.

DISCLAIMER:

If you no longer want to receive this Monday Outlook email, simply reply to this email with "REMOVE" or "OPT OUT" in the subject line and we will remove you from our email list.

Opinions expressed in this email are those of the author and are not necessarily those of Raymond James. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material nor is it a recommendation.

The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete.

All investments are subject to risk regardless of strategy selected. Individual investor's results will vary. Past performance does not guarantee future results. Forward looking data is subject to change at any time and there is no assurance that projections will be realized. Diversification and strategic asset allocation do not ensure a profit or protect against a loss.

The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

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.

Investing in small cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor.

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.

Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility.

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.

Diversification does not ensure a profit or guarantee against a loss. Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

Holding stocks for the long-term does not insure a profitable outcome. Investing in stocks always involves risk, including the possibility of losing one's entire investment.

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

Links are being provided for information purposes only. Raymond James is not affiliated with and does not endorse, authorize or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any website or the collection or use of information regarding any website's users and/or members.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.

If you no longer wish to receive these commercial emails, please reply to this email and in the body of the email request that we remove you from our email list. The information contained within this commercial email has been obtained from sources considered reliable, but we do not guarantee the foregoing material is accurate or complete.

Raymond James and its advisors do not offer tax or legal advice. You should discuss any tax or legal matters with the appropriate professional.

Every type of investment, including mutual funds, involves risk. Risk refers to the possibility that you will lose money (both principal and any earnings) or fail to make money on an investment. Changing market conditions can create fluctuations in the value of a mutual fund investment. In addition, there are fees and expenses associated with investing in mutual funds that do not usually occur when purchasing individual securities directly. ETF shareholders should be aware that the general level of stock or bond prices may decline, thus affecting the value of an exchange-traded fund. Although exchange-traded funds are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, the funds may not be able to exactly replicate the performance of the indexes because of fund expenses and other factors.