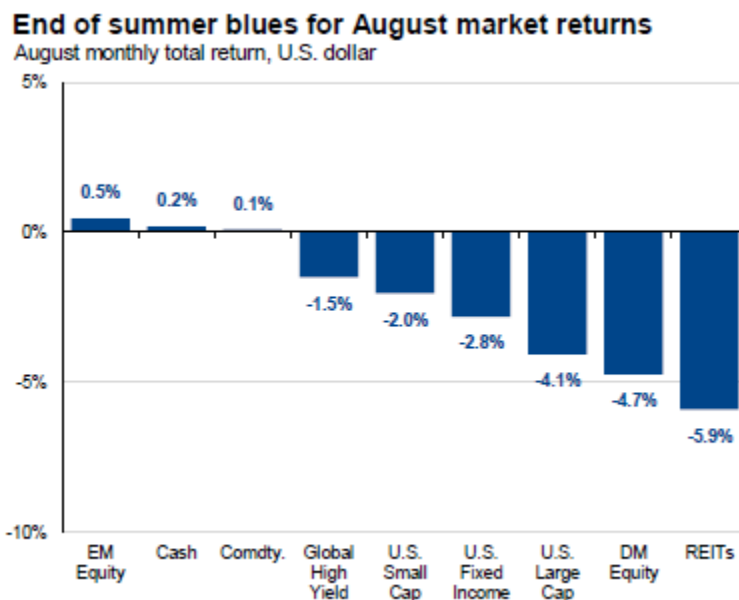


Tuesday, September 6, 2022

Good morning:

Equity markets continued their retreat in the wake of last month's hawkish comments from Fed Chairman Powell. From bonds to stocks to commodities, nearly every market is taking its direction from the perceived path of central bank policy and its impact on the economy. With no Fed pivot to a more dovish stance in sight, equities posted their third losing week in a row registering losses of more than 2 to 4% in most major stock indexes.

Virtually all domestic equity, as well as fixed income sectors were down in the month of August.

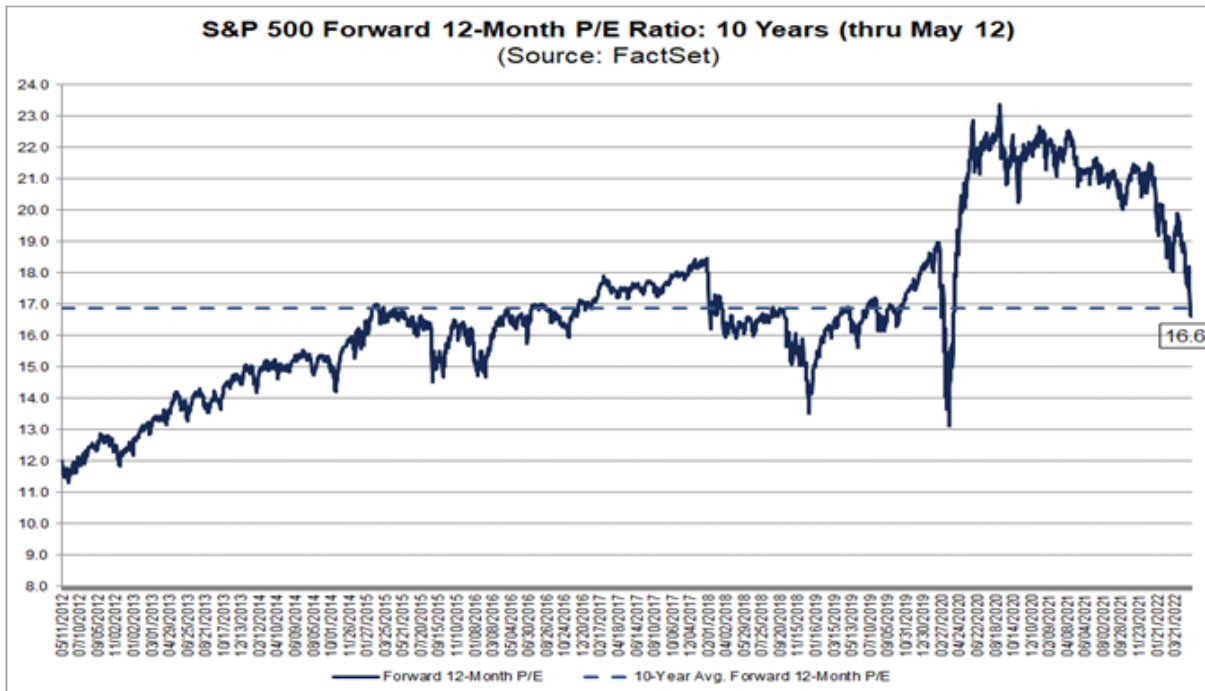


*Source: JP Morgan Asset Management

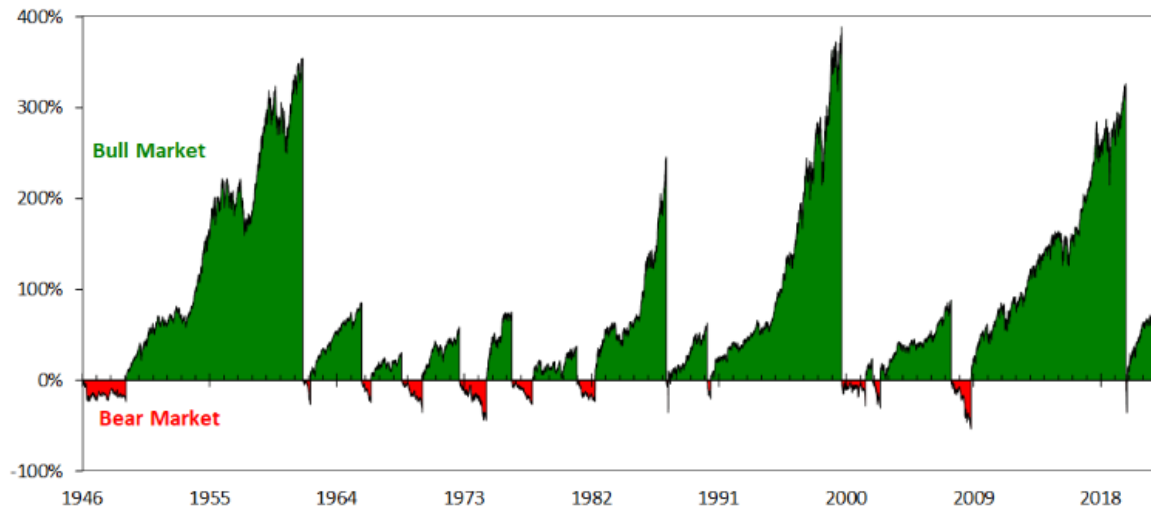
July's rebound proved unsustainable in the face of so much ongoing economic and geopolitical uncertainty. Beyond the Fed and their aggressive efforts to tamp down inflation, markets are also concerned about a variety of other issues. European energy woes, widespread new COVID-19 lockdowns in China, the Russia/Ukraine war, and fears of a deeper recession at home in the coming

months are all contributing to heightened anxiety amongst many institutional traders and investors. The uncertainty regarding how and when each of these issues will be resolved is contributing to elevated market volatility and investor apprehension.

As we start this holiday-shortened trading week, it is also important to recognize the many *strengths* underpinning our current economy. As we saw again last month, domestic labor markets remain very strong with unemployment rates back to pre-pandemic levels (3.7%). Consumer spending, particularly on travel and leisure, has been robust. Energy prices, the biggest contributor to inflation, have been declining, leading many to believe that the rise in the CPI may have peaked. And finally, perhaps the severe drop that has already occurred in equity prices across most sectors suggests that even if the many issues facing the market take longer to be resolved, much of the erosion to stock valuations may have already occurred. As this chart illustrates, the S&P 500 currently trades at far lower valuation as measured by P/E ratio than where it began the year.



As we enter the fall season of this very challenging year with all the aforementioned uncertainties, as well as the upcoming midterm elections, it is important to retain our historical perspective. Bear markets are much shallower typically than the bull market that often follows.



Source: FactSet, values calculated measuring Bear: peak to trough/Bull: trough to peak. Past performance does not guarantee future results.

Therefore, we remain cautiously optimistic that the Fed will be successful in reducing inflation and our economy and equity markets will flourish once again. Remaining diversified, quality-focused, and long-term goal oriented are all important disciplines during these difficult times.

Have a great week!

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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

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