INVESTMENT UPDATE

2022 --- 3rd Quarter

MARKET VOLATILITY CONTINUED

TO SAY IT PLAINLY, the first nine months of this year have been difficult for investors and their portfolios. Adding to the challenges is the fact that both stocks and bonds have had negative returns. The 3rd quarter started with a rally over optimism that the Federal Reserve might slow its pace of interest rate hikes. The rally for the S&P 500 Index peaked in mid-August before going back down to end the quarter lower. The broad investment returns for the quarter were: S&P 500 Index -4.9%, and the Bloomberg U.S. Aggregate Bond Index -4.8%.

Diversification helped investment accounts during the quarter. U.S. small cap stocks, growth stocks, intermediate-term Treasuries, and TIPS (Treasury Inflation Protected Securities) held up best.

Driving most of the volatility was central banks around the world raising interest rates to combat inflation. In the U.S., the Federal Reserve raised interest rates twice for a total of 1.5%. Other economic signals were mixed. Inflation remained high, gasoline prices came down significantly from the 2nd quarter highs, unemployment edged higher but remained near historical lows, corporate earnings were mostly solid, and the housing market slowed further.

MARKETS DON'T LIKE UNCERTAINTY.

Recently, we have been dealing with more than the usual number of issues that cause uncertainty, here and around the world. To add one more issue to the mix, we are in a midterm election year. Investors can run into trouble if they place too much importance on election results. That's because, historically, elections have had little impact on long-term investment returns. Expect short-term volatility in the months leading up to elections but don't expect election results to be a huge driver of investment outcomes. Based on 90 years of statistics, stocks have done well regardless of the makeup of Washington. Whether government is unified (control of White House, House and Senate by the same political party) or there is a split Congress (control of House and Senate by different parties regardless of White House control) the average annual return of the S&P 500 Index has a difference of only 0.4%. *Source: Capital Group*

When volatility rears its ugly head, our instinct is to take our money out of the market to safeguard it. However, history shows that rather than giving in to fear, staying invested during volatile times can be beneficial in the long run. Why stay invested? Because it's impossible to tell when the market will resume its upward course after a bout of volatility. So, sticking around means participating in the recovery as soon as it happens, rather than waiting to see improvement and missing the early days of recovery.

NEW ANNUAL CONTRIBUTION LIMITS FOR 2023

Plan your saving strategy for next year.

401(k) – Increased to $22,500
Catch-up if over age 50 - $7,500

IRA – Increased to $6,500
Catch-up if over age 50 - $1,000

Feel free to call Nan or Ann at 414-431-6491 with your questions or concerns.

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