Friday Forethought

For week ending November 11, 2022

Inflation Cools – Market Heats Up

After a three day rally, investors got jumpy on Wednesday in anticipation of election results and CPI/Inflation reports. However, news was good and yesterday was a banner day for all markets. Investors appeared to open up the spigot on the news that the Consumer Price Index (CPI) showed that inflation is moving in the right direction, rising 7.7% vs the anticipated 8.0%, year over year, as well as gaining more clarity on the elections. Also influencing investor sentiment is the slight shift in power in the house, as it appears that approval of new taxation and spending initiatives will be unlikely.

Our Take

We believe the economy's performance and the Federal Reserves (Fed's) policies to shape its path are likely to matter more than the election results. Still politics will have influence as well.

Equities: Higher-quality, large and mid-cap U.S. stocks operating in the less-cyclical Health Care sector; in Energy on strong fundamentals and reasonable valuations; and in strategically attractive Information Technology.

Fixed Income: As the market approaches a peak in Fed rate hikes and long-term yields, we favor a 'barbell' approach i.e. adding to long and short-term investment-grade allocations from cash or maturing intermediate-term fixed income

Commodities & Alternative Investments: Pending your objectives and tolerance, commodities can be used as potential partial hedge against inflation and alternatives can provide portfolio diversification.

Election-related considerations do not change any of our current sector preferences, but the legislative program of the new Congress is worth watching as they relate to several sector-specific possible legislative packages.

Industrials: We currently relate the industrials sector as neutral. We anticipate some version of an economic recession into mid-2023, but a counterbalancing positive would be a congressional extension of the R&D investment spending provision. Within the industrials sector, however, we favor overweighting in the defense industry, which stands to benefit from likely increased military spending in 2023.

Financials: We like the financials sector, but want to watch for passage of Secure 2.0 legislation for its potential to expand incentives for employer-sponsored retirement savings plans

Information Technology: We currently favor being above weight in the IT sector as it could potentially benefit from additional defense spending and the R&D investment spending provision, as well as help financial service firms boost capacity and lower operating costs through computer upgrades.

Health Care: The inflation Reduction Act placed price controls on Medicare drugs. A split government will not likely be able to reverse drug pricing controls, but will be unlikely to be able to add more pricing restrictions

Our guidance for long-term investors has been and remains to stay patient and to dollar cost average on high quality assets and sectors. We favor the same quality perspectives for shorter-term investors with, 6-18 month horizons. If you have any questions, please contact us.

QUIN OAKS
INVESTMENT GROUP
of Wells Fargo Advisors

Leading Trends

The S&P 500 Energy and S&P 500 Consumer Staples Sector are the leading sectors year-to-date: up 59.94% and up 1.28% respectively

Lagging Trends

S&P 500 Consumer Discretionary Sector and S&P 500 Communication Services Sector are the lagging sectors year-to-date: down 31.43% and down 40.80% respectively.

Weekly Markets

S&P 500	3,956.37	+6.36%
NASDAQ	11,114.15	+7.46%
DJIA[1]	33,715.37	+5.36%

[1] Dow Jones Industrial Average

10-YR US Treasury	3.816%	-33.79 bps
GOLD	1,759.50	+7.75%
OIL	86.27	-1.91%

Market close 11-03-2022 to market close 11-10-2022

David Clarke
Managing Director –Investments

Kathy Sowl Chelini
First Vice President – Investment Officer

Mark Passalacqua
First Vice President – Investment Officer

Justin Pribilovics-Wade, CFP®
Financial Advisor

2 Theatre Square | Suite 210
Orinda, CA 94563

(925) 253-4307
(855) 282-1840