Friday Forethought

For week ending November 18, 2022

The Fed: “We’re Not Done Yet”

Coming off of one of the best weeks in a long while, this week had its trepidations. Markets were choppy – rising on Producer Price Index figures coming in lighter than expected for the second month in a row, hinting that inflation may be easing, and falling on concern about the Federal Reserve ‘s stance for future rate hikes. Stocks fell yesterday as interest rates jumped with Federal Reserve officials signaling interest rate hikes to slow inflation are far from over. St. Louis Federal Reserve President James Bullard said in a speech Thursday that “the policy rate is not yet in a zone that may be considered sufficiently restrictive. The change in the monetary policy stance appears to have had only limited effects on observed inflation, but market pricing suggests disinflation is expected in 2023.” (cnbc.com).

Something To Think About (some interesting excerpts)…

Remember 1987? Investors who were around at the time definitely do. On Oct. 19 of that year, the Dow Jones Industrial Average fell 22.6% — the largest one-day drop in that index’s history. The day came to be known as Black Monday. Headlines at the time were terrifying. Crash! Panic! All told, between Aug. 25 and Dec. 4, 1987, the broad U.S. stock market lost 33.5%. If you were looking at your portfolio at the time, it probably looked like a disaster. Some 20 months later, the market had fully recovered and would go on to achieve new highs.

In light of that fact, try this interesting exercise: Type “S&P 500” into Google. When the chart comes up, select “Max.” Now find 1987.

The historical upward trajectory of the stock market has reduced it to a tiny blip on your screen, and that’s the point all the market experts who tell you not to panic and to stick to your long-term plan, are trying to make. If the market continues to behave as it always has, whatever your portfolio is doing today, tomorrow or next year ultimately won’t matter much in the decades that you’re likely to be investing. (CNBC.com) Good advice, but keep timelines and tolerance in mind as you make adjustments.

Our Take

Continuing the above sentiment, which fits in line with our strategy – maintain consistency in your investments with a broadly diversified portfolio of stocks, and keep your eye on your long term goals. If the market continues to follow its age-long trajectory, any drama in your portfolio will hopefully matter as little as it did in 1987 - eventually. If you have a shorter timeline, now is not the time to take a risk on position, rather take advantage of the higher and more conservative returns on fixed income. If you have any questions, please do not hesitate to contact us.

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Leading Trends

The S&P 500 Energy and S&P 500 Consumer Staples Sector are the leading sectors year-to-date: up 66.18% and down 4.20% respectively

Lagging Trends

S&P 500 Consumer Discretionary Sector and S&P 500 Communication Services Sector are the lagging sectors year-to-date: down 32.07% and down 37.60% respectively.

Weekly Markets

S&P 500	3,946.56	-0.25%
NASDAQ	11,144.96	0.28%
DJIA[1]	33,546.32	-0.50%

[1]Dow Jones Industrial Average

10-YR US Treasury	3.782%	-3.4 bps
GOLD	1761.80	+0.13%
OIL	82.13	-4.80%

Market close 11-10-2022 to market close 11-17-2022

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