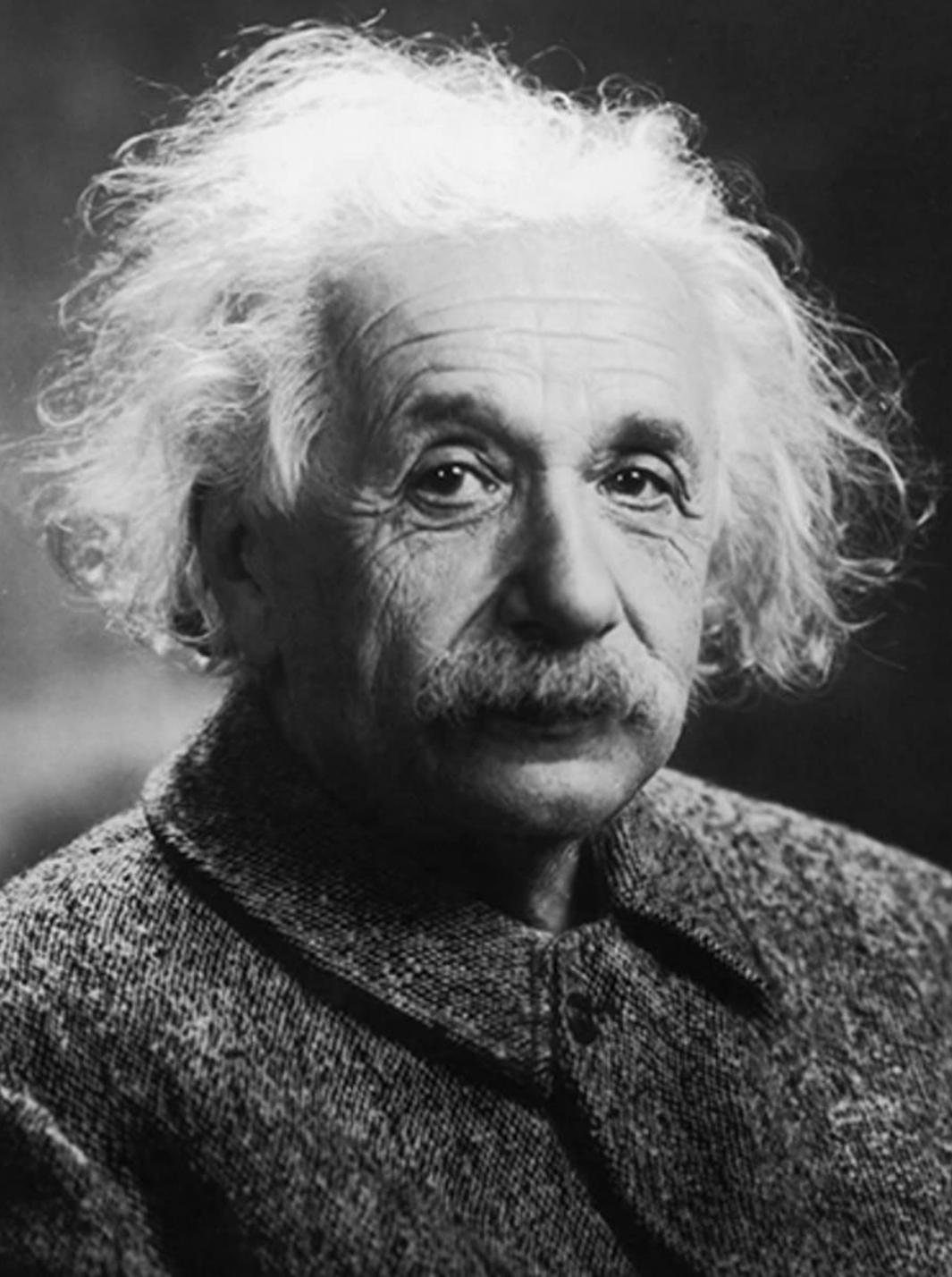

2023 Economic Outlook

January 2023

Presented By Christopher Calandra CFP®
Elliott Wealth Management Services LLC





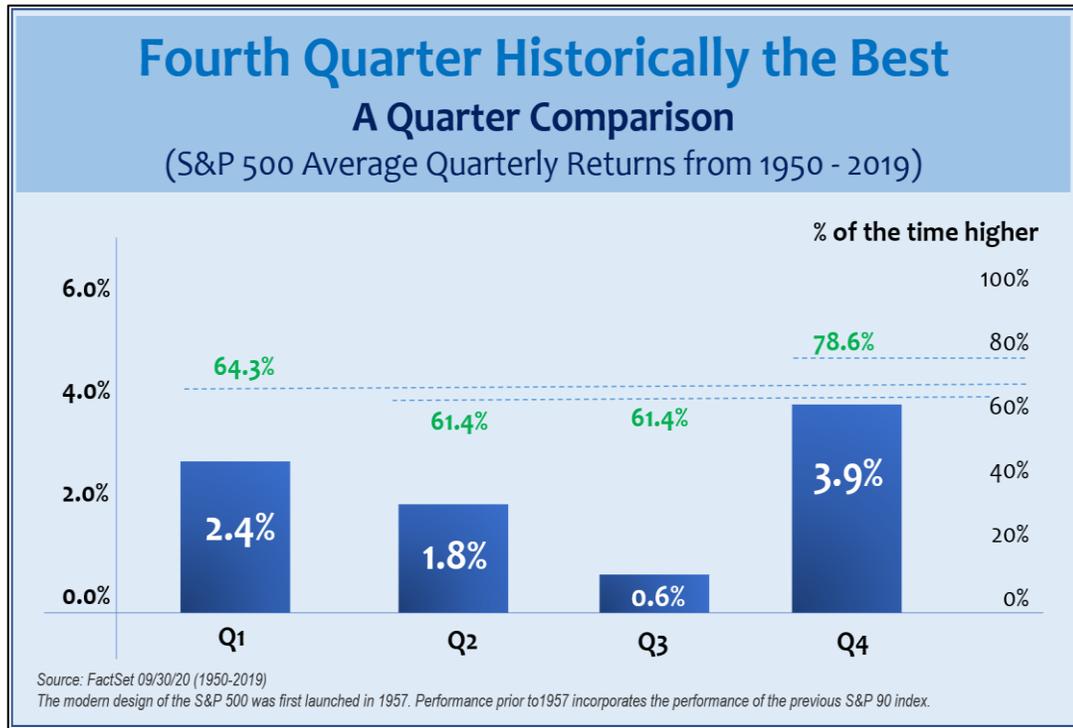
“ In the middle of difficulty lies opportunity. ”

– **Albert Einstein**

Agenda

- Q4 2022
- Major Index Performance
- Reasons to Worry
- Inflation
- The Fed in 2022
- Treasury Yields
- The Wall of Worry
- Causes For Optimism
- Key Takeaways

Fourth Quarter History



S&P 500 Quarterly Returns For 2022

| | |
|----|---------|
| Q1 | -5.12% |
| Q2 | -17.18% |
| Q3 | -4.47% |
| Q4 | +7.47% |



Major Index Performance YTD - Ending 12/31/22

| | |
|----------|------------------------------|
| (33.10%) | Nasdaq |
| (18.11%) | S&P 500 |
| (15.26%) | Bloomberg US Credit (bonds) |
| (8.78%) | Dow Jones Industrial Average |

Inflation



Reasons To Worry

- How stubborn is inflation
- Fed aggressiveness
- Recession expectations
- Lack of confidence



Monthly Inflation

| Date | US Inflation Rate |
|-----------|-------------------|
| 31-Dec-22 | 6.45 % |
| 30-Nov-22 | 7.11 % |
| 31-Oct-22 | 7.75 % |
| 30-Sep-22 | 8.20 % |
| 31-Aug-22 | 8.26 % |
| 31-Jul-22 | 8.52 % |
| 30-Jun-22 | 9.06 % |
| 31-May-22 | 8.58 % |
| 30-Apr-22 | 8.26 % |
| 31-Mar-22 | 8.54 % |
| 28-Feb-22 | 7.87 % |
| 31-Jan-22 | 7.48 % |



Source: https://ycharts.com/indicators/us_inflation_rate#:~:text=US%20Inflation%20Rate%20is%20at,long%20term%20average%20of%203.27%25

Federal Reserve Actions In 2022

Raised fed funds rate 7 times for a total 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% |

Treasury Yields

| 2022 Treasury Yield Comparisons | | | | | | | |
|---------------------------------|---------|---------|---------|----------------------------------|---------|---------|---------|
| January 4 th , 2022 | | | | December 30 th , 2022 | | | |
| 5-Year | 10-Year | 20-Year | 30-Year | 5-Year | 10-Year | 20-Year | 30-Year |
| 0.36 | 0.93 | 1.46 | 1.66 | 3.99 | 3.88 | 4.14 | 3.97 |



Source: https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=2022

The Wall Of Worry



Causes For Optimism?

- Was bear market low reached in 2022?
- Are inflation expectations too high?
- Can the Fed thread the needle?
- Strong corporate earnings?



Bear Market Recoveries

| Bear Market Low Date | 1 Year After | 3 Years After | 5 Years After | 10 Years After |
|----------------------|----------------|----------------|----------------|----------------|
| 6/26/1962 | 32.66 % | 16.66 % | 11.86 % | 7.46 % |
| 10/7/1966 | 32.87 % | 8.34 % | 6.44 % | 3.53 % |
| 5/26/1970 | 36.95 % | 14.07 % | 4.49 % | 4.28 % |
| 10/3/1974 | 38.01 % | 15.81 % | 11.97 % | 10.06 % |
| 8/12/1982 | 58.33 % | 22.36 % | 26.55 % | 15.09 % |
| 12/4/1987 | 21.39 % | 13.38 % | 14.05 % | 15.83 % |
| 10/9/2002 | 33.73 % | 15.47 % | 15.04 % | 6.38 % |
| 3/9/2009 | 68.57 % | 26.54 % | 22.65 % | 15.03 % |
| 3/23/2020 | 74.78 % | N/A | N/A | N/A |
| Average | 44.14 % | 16.58 % | 14.13 % | 9.71 % |

Source: Bloomberg. Performance is price return only (no dividends). **Past performance is no guarantee of future results.** For illustrative purposes only and not indicative of any actual investment. Returns are average annualized returns. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index.

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Key Takeaways

- Inflation continues to be the central story.
- Need to monitor inflation to see if the down trend continues.
- Need to watch the Fed's aggressiveness.
- Keep the Wall of Worry in mind.
- Bear market rebounds have historically been strong
- Long-term investing is a key strategy with investing.
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