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center, LLC
David Robertson, RFC, CFP

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S T A T E
O F T H E
M A R K E T S



W E L C O M E

OUTLOOK FOR THE YEAR –
CLOUDY NOT STORMY

The Formalities

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TODAY'S AGENDA



HOW DID STOCKS PERFORM IN **2022?**



WHAT DROVE **MARKET PERFORMANCE** IN 2022?



WHERE ARE WE **NOW?**



WHAT DO MAJOR FINANCIAL FIRMS
FORECAST FOR 2023?



WHAT DROVE
**MARKET
PERFORMANCE**
IN 2022?



Purchasing Power of the U.S. Dollar

Purchasing Power of the U.S. Dollar

1980 - 2021



- America entered the 1980s in the midst of Paul Volcker and the Federal Reserve lifting interest rates to combat double-digit inflation. This painful but necessary tightening of monetary policy served to bring inflation back down.
- From an average annualized pace of 7.4% in the 1970s, inflation averaged 5.1% in the 1980s, 2.9% in the 1990s, 2.6% in the 2000s, and averaged less than 2% (1.7%) in the 2010s.
- While the timeline displayed over this chart primarily saw inflation in the 2-3% range, the impact of inflation compounds over time.
- From the start of 1980, the purchasing power of a dollar fell more than 70% by the end of 2021.
- We believe investors should always consider the impact of inflation on returns over time.

VALUE OF THE U.S. DOLLAR



Source: U.S. Bureau of Labor Statistics (BLS), First Trust Advisors L.P. The U.S. dollar is measured by year-over-year change in CPI-U. This chart is for illustrative purposes only and not indicative of any actual investment.

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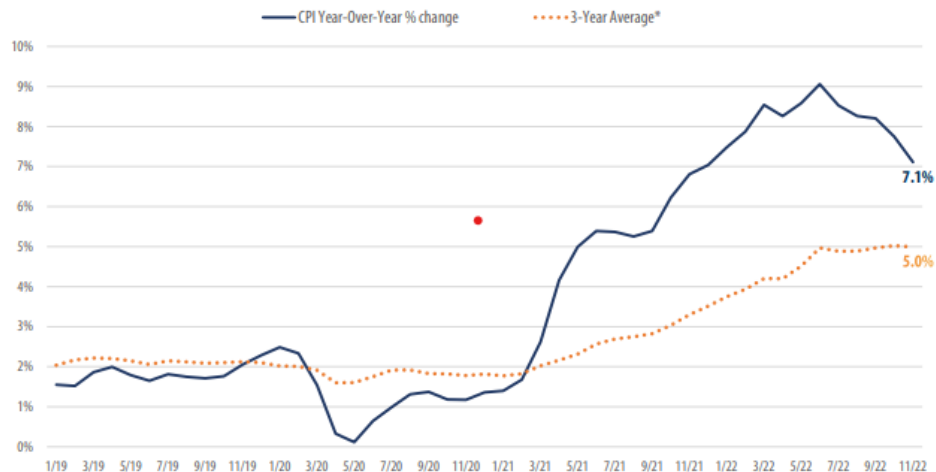
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Inflation: How bad is it really?

Inflation: How bad is it really?

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YEAR-OVER-YEAR CHANGE IN THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS IN THE U.S.



Source: Bureau of Labor Statistics, Statista. Monthly data from January 2019 – November 2022 (latest data available). *Average annual change in the Consumer Price Index (CPI) over the previous three years. Not seasonally adjusted. For illustrative purposes only and not indicative of any investment. CPI measures inflation (the average change in prices over time that consumers pay for a basket of goods and services). The information presented is not intended to constitute an investment recommendation or advice to any specific person. By providing this information, First Trust is not undertaking to give advice in any Advisory capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

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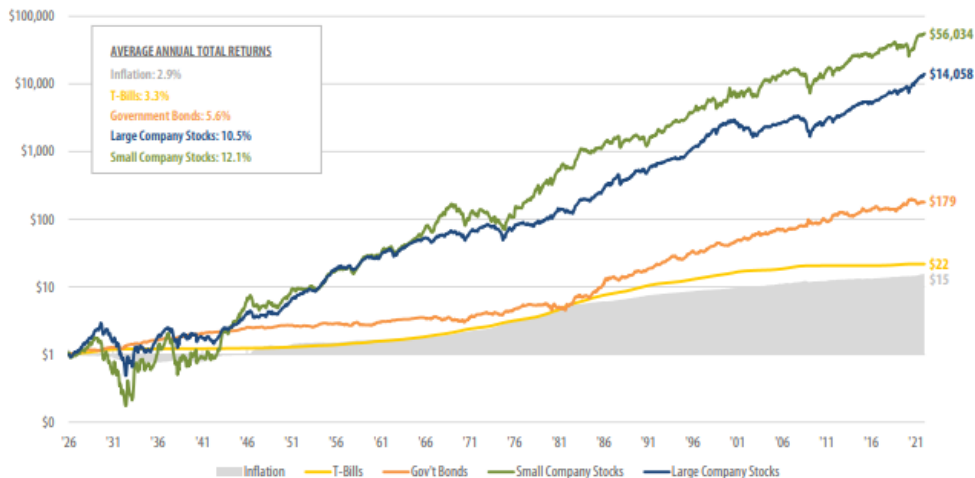
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Stocks, Bonds, Bills & Inflation

Stocks, Bonds, Bills & Inflation

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COMPOUND ANNUAL RETURN: 1926 - 2021



Source: Ibbotson Associates. Hypothetical growth of a \$1 investment made on 12/31/1925. Data is monthly and shows total returns through 12/31/2021. **Past performance is no guarantee of future results.** This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future. **Inflation** is represented by the Consumer Price Index (CPI-U) which measures the average change in prices over time that consumers pay for a basket of goods and services. **Treasury Bills (T-Bills)** are represented by the 30-day U.S. Treasury bill. **Government Bonds** are represented by the 20-year U.S. Government bond. **Small Company Stocks** (Ibbotson Small Company Stocks Index) are represented by the fifth capitalization quartile of stocks on the NYSE from 1926 to 1981 and the performance of the Dimensional Fund Advisors (DFA) Micro Cap Fund thereafter. **Large Company Stocks** (Ibbotson Large Company Stocks Index) are represented by the S&P 500 Composite Index (S&P 500 Index - an index of 500 companies used to measure large-cap U.S. stock market performance) from 1957 to present, and the S&P 90 from 1926 to 1956. Indices are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. The asset classes shown here offer different characteristics in terms of income, tax treatment, capital appreciation and risk. U.S. government securities are subject to interest rate risk but generally do not involve the credit risks associated with investments in other types of debt securities. As a result, the yields available from U.S. government securities are generally lower than the yields available from other debt securities. Common stocks are subject to risks, such as an economic recession and the possible deterioration of either the financial condition of the issuers of the equity securities or the general condition of the stock market.

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HOW DID STOCKS PERFORM IN 2022?





HOW DID STOCKS PERFORM IN 2022?

S&P 500 Actual Results

• 3,839.50

• -19.44%

As of Dec. 31, 2022

FIRM	2022 S&P 500 TARGET
Morgan Stanley	4,400
UBS	4,850
Wells Fargo	5,200
Bank of America	4,600
RBC	5,050
Goldman Sachs	5,100
GROUP AVERAGE	4,867

Source: CNBC.com, December 31, 2021

The S&P 500 Composite Index is an unmanaged index that is generally considered representative of the U.S. stock market. Index performance is not indicative of the past performance of particular investment. Individuals cannot invest directly in an index. Past performance does not guarantee future results. The return and principal value of stock prices will fluctuate as market conditions change. Shares, when sold, may be worth more or less than their original cost.



WHAT HAPPENED IN 2022?

S&P 500 through December 31, 2022



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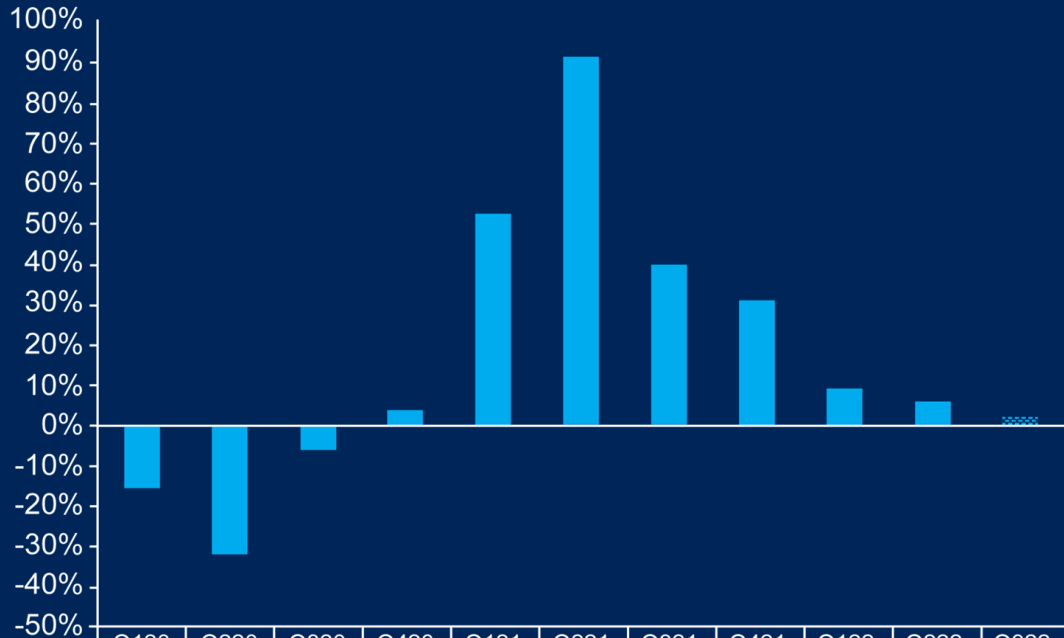
And the return and principal value of stock prices will fluctuate as market conditions change.

Shares, when sold, may be worth more or less than their original cost.

Sources: CNBC.com, January 12, 2022; BEA.gov, January 27, 2022; Reuters.com, February 24, 2022; WSJ.com, March 16, 2022; TradingEconomics.com, April 30, 2022; CNBC.com, May 4, 2022; WSJ.com, June 10, 2022; Finance.Yahoo.com, June 15, 2022; CNBC.com, July 27, 2022; TradingEconomics.com, July 30, 2022; WSJ.com, September 21, 2022; TradingEconomics.com, October 30, 2022; CNBC.com, November 2, 2022; CNBC.com, December 13, 2022; CNBC.com, December 14, 2022

CORPORATE EARNINGS

S&P 500: Revenue Growth (Q1,2020 - Q3,2022)



	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122	Q222	Q322
■ Growth	-15.0	-31.8%	-5.7%	4.0%	52.8%	91.7%	40.1%	31.3%	9.2%	6.2%	2.2%



HEADWINDS

✓	Inflation/Rising Yields
✓	Fed Policy Uncertainty
✓	Recession

✓	Corporate Earnings
✓	Geopolitical Tensions



TAILWINDS

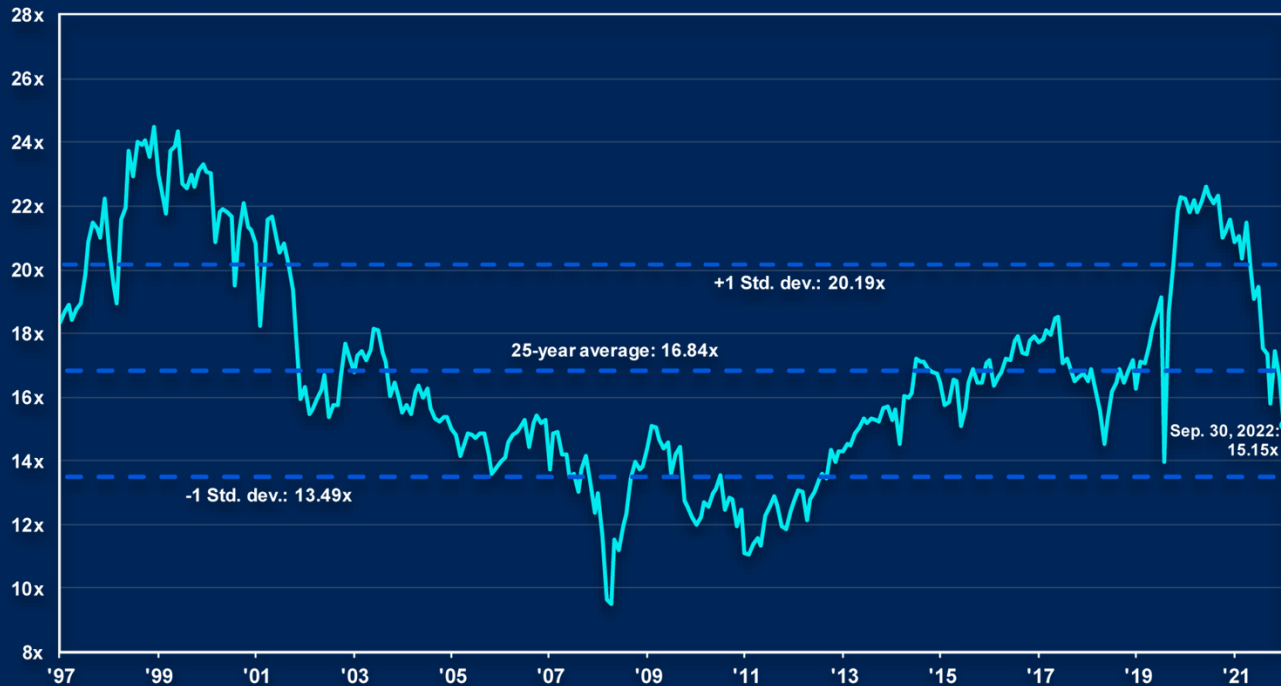
✓	Moderating Inflation
✓	A More Dovish Fed
✓	Falling U.S. Dollar

✓	Interest Rate Cycle
✓	Seasonal Effect
✓	China Ends Lockdown

EQUITY VALUES

S&P 500 Valuation Measure

S&P 500 Index: Forward P/E Ratio





2023 FORECAST: S&P 500

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FIRM	2023 S&P 500 TARGET
Morgan Stanley	3,900
UBS	4,000
Wells Fargo	3,900
BoA Global Research	3,600
RBC	3,800
Goldman Sachs	3,600
GROUP AVERAGE	3,800

Forecasts are based on assumptions and subject to revisions over time. Financial, economic, political, and regulatory issues may cause the actual results to differ from the expectations expressed in the forecast.



History of U.S. Bear & Bull Markets

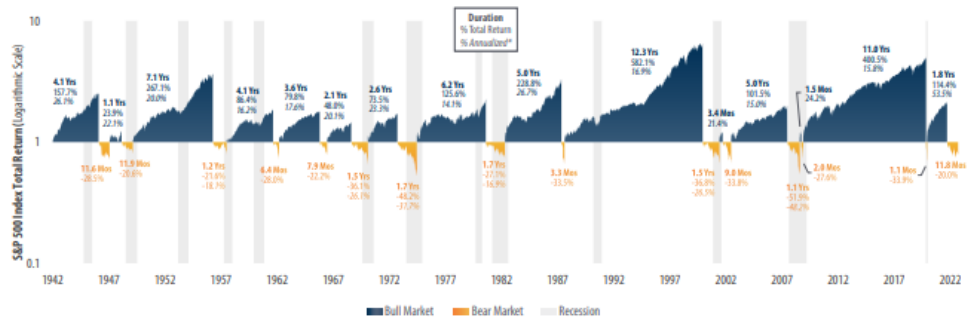
History of U.S. Bear & Bull Markets

Daily Returns Since 1942



This chart shows daily historical performance of the S&P 500 Index throughout the U.S. Bull and Bear Markets since 1942. We believe looking at the history of the market's expansions and recessions helps to gain a fresh perspective on the benefits of investing for the long-term.

- The average **Bull Market** period lasted 4.4 years with an average cumulative total return of 155.7%.
- The average **Bear Market** period lasted 11.3 months with an average cumulative loss of -31.3%.



Source: First Trust Advisors L.P., Bloomberg. Daily returns from 4/29/1942 - 12/30/2022. *If annualized return shown if duration is less than one year. Past performance is no guarantee of future results. These results are based on daily returns—returns using different periods would produce different results. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future.

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STEPS FOR YOU TO TAKE:

01

Keep us informed of important life changes



02

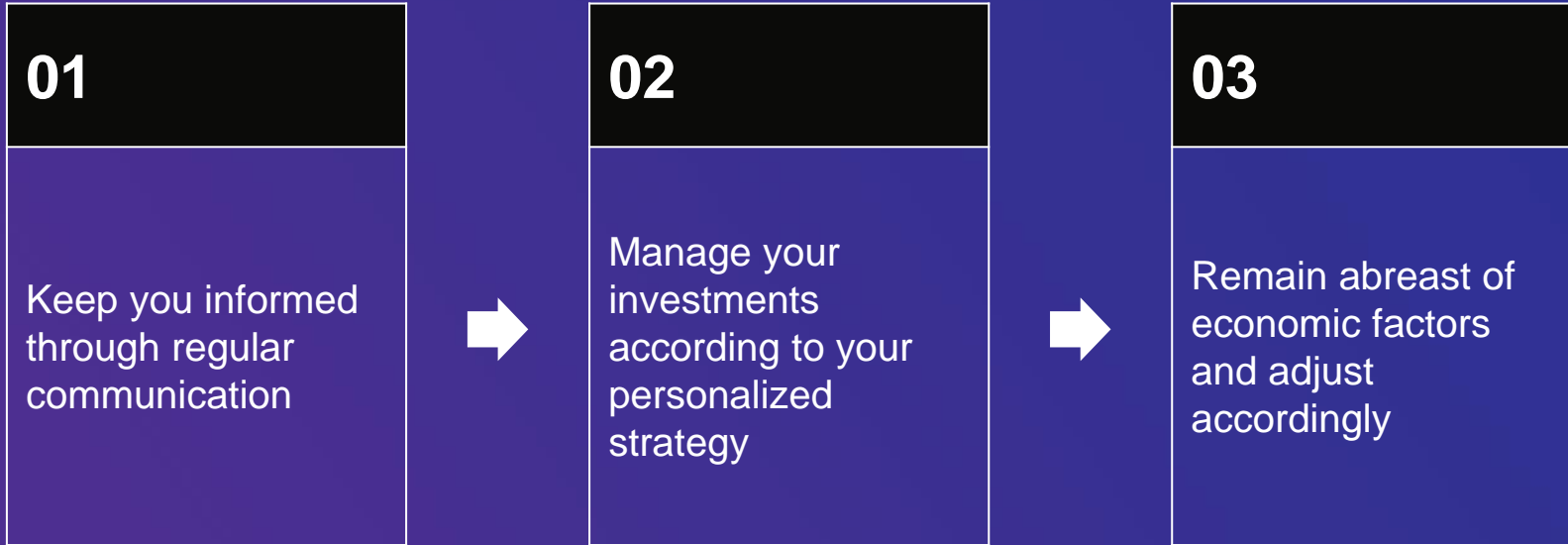
Tell us about your investment concerns



03

Make sure your essential documents are up to date

STEPS FOR US TO TAKE:



Crisis and Events

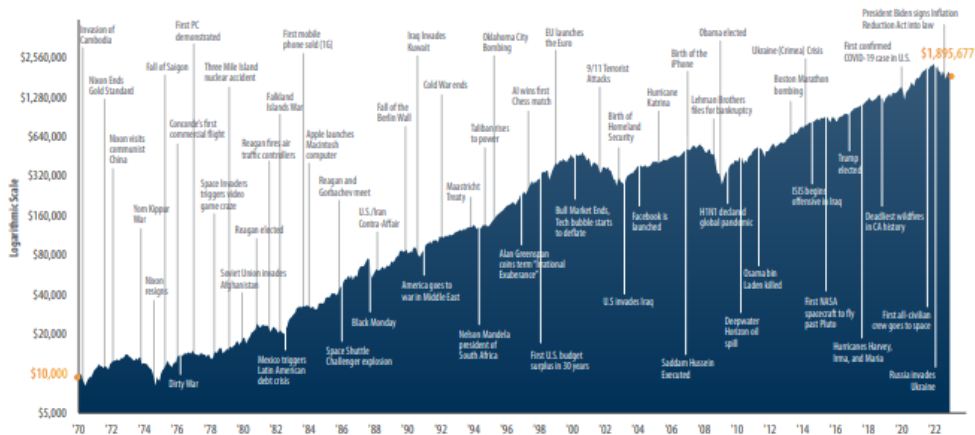
Crisis and Events

S&P 500 Index: 1970 – 2022



This chart shows the growth of \$10,000 based on S&P 500 Index performance over the last several decades. We believe looking at the market's overall resiliency through major crises and events helps to gain a fresh perspective on the benefits of investing for the long-term.

THE AVERAGE ANNUAL TOTAL RETURN OF THE S&P 500 INDEX FOR THE PERIOD SHOWN BELOW WAS 10.40%.



Source: Bloomberg, First Trust Advisers L.P., 12/31/1969 – 12/30/2022. **Past performance is no guarantee of future results.** This chart is for illustrative purposes only and not indicative of any actual investment. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than the other asset classes. These returns were the result of certain market factors and events which may not be repeated in the future.

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30 REASONS NOT TO INVEST IN THE LAST 30 YEARS

JANUARY 4, 1993
DJIA: 3,301.10
S&P 500: 435.70
Nasdaq: 675.31

1993
BOMBING OF WORLD TRADE CENTER

1994
ORANGE COUNTY, CA FILES FOR BANKRUPTCY

1995
OKLAHOMA CITY BOMBING

1996
U.S. BUDGET CRISIS

1997
AVIAN BIRD FLU

1998
RUSSIAN FINANCIAL CRISIS

1999
Y2K

2000
BURST OF THE DOT COM BUBBLE

2001
SEPTEMBER 11TH ATTACKS

2002
COLLAPSE OF WORLDCOM

2003
WAR IN IRAQ

2004
CONTINUED WAR ON TERROR

2005
HURRICANE KATRINA

2006
U.S. HOME PRICES PEAK AS HOMEOWNERSHIP IS STARTING TO FALL

2007
HOUSING CRASH

2008
U.S. GREAT RECESSION & FINANCIAL CRISIS

2009
STOCK MARKET COLLAPSE

2010
U.S. POVERTY RATE HITS 15 YEAR HIGH

2011
JAPAN EARTHQUAKE & TSUNAMI

2012
HURRICANE SANDY & THE FISCAL CLIFF

2013
U.S. GOVERNMENT SHUTDOWN

2014
OIL PRICE COLLAPSE

2015
ECONOMIC SLOWDOWN IN CHINA

2016
BREXIT & PRESIDENT TRUMP

2017
U.S. POLITICAL THEATRE

2018
TRADE WAR

2019
IMPEACHMENT

2020
COVID-19/ELECTION

2021
SUPPLY CHAIN

2022
INFLATION

DECEMBER 31, 2022
DJIA: 33,147.25
S&P 500: 3,839.50
Nasdaq: 10,466.48



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Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged.

30 REASONS NOT TO INVEST



QUESTIONS??



We're here for you

Give us a call or schedule a time
Please check our website often!

www.thefinctr.com



UNTIL

NEXT TIME!

