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MARKET COMMENTARY

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Happy New Year!

We begin this quarterly update with our sincere thanks to you for maintaining patience in what can only be described as a brutal year for investors. The stock and bond markets often move in opposite directions, but 2022 saw all major indices move downward. The energy markets were the exception.

The Federal Reserve is expected to continue to raise rates in February and possibly in April, before pausing. The Fed will hold rates high to combat the inflation it helped create. In the foreign exchange markets, the dollar is now off its highs, as international central banks began hiking rates. This will make exports more competitive, but may contribute to an increase in the price of oil. OPEC production cuts, Russian export quotas and an increase in demand from China may also move prices upward. Currently, the cost of gasoline at the pump is lower than it has been in several months.

The Dow Jones Industrial Average closed at 33,147.25, a decrease of 8.80% for the year. The S&P 500 ended at 3,839.50, down 19.40%. The NASDAQ decreased 33.10%, resting at 10,466.48. The Bloomberg Aggregate Bond Index decreased by 12.88%. Bond prices decrease as rates increase.

During the past quarter many American companies announced hiring freezes and have begun laying off workers. This is in response to higher interest rates and anticipated lower consumer spending. Shoppers have been using savings set aside during the COVID crisis. Now, that such savings has been depleted and credit card debt is approaching \$1 trillion. This continues as rates on installment debt are on the rise and inflation remains at very high levels.

The United States committed to continued funding of the war in Eastern Europe. The recent passage of the \$1.65 trillion package through Congress adds additional weaponry to enable Ukraine to fight. Russia, despite devastating losses, shows no sign of ending its campaign.

The S&P 500 has posted positive returns in 32 of the past 43 years. We hope the new year brings positive results.

David Breuhan

Vice President