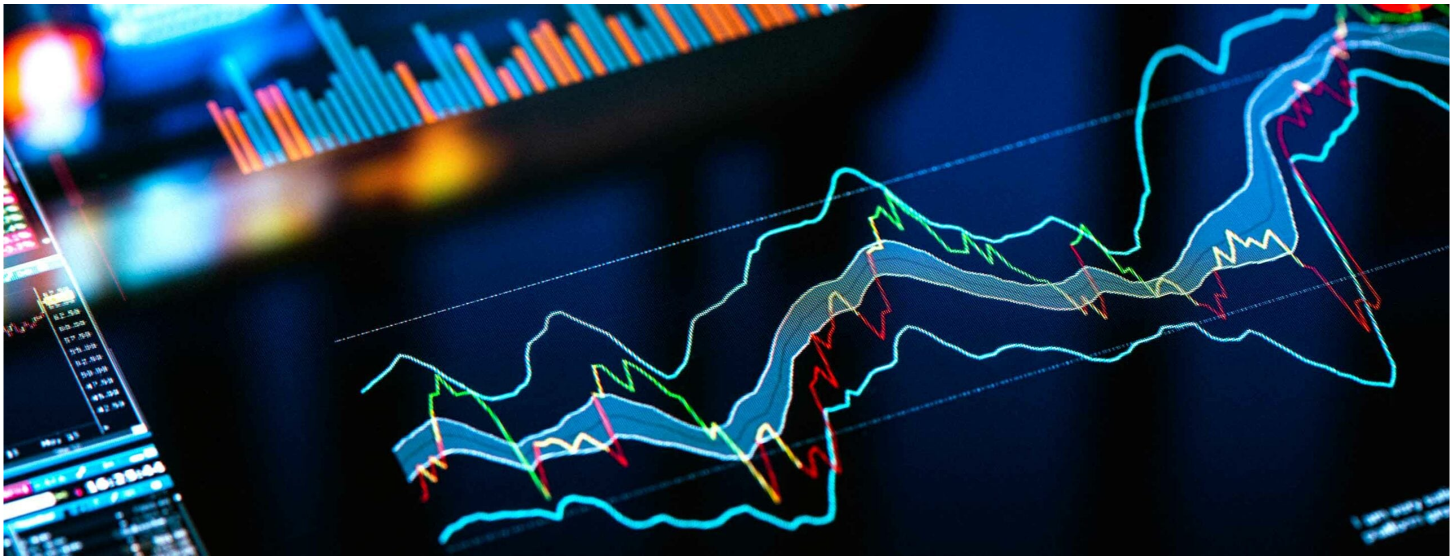

Market Thoughts 9.23.2022

Stocks slumped on Friday and closed with their fifth weekly decline of the past six weeks. The S&P 500 and Nasdaq indexes have fallen from their mid-August highs back to June 2022 lows. Meanwhile, bond yields surged—pushing bond prices down—this week following the Fed's actions to raise its benchmark rate by another 0.75 percent. The 2-year U.S. Treasury's yield rose to 4.2 percent, a level not seen since 2007. The central bank also reiterated its message that it will keep hiking rates to tame inflation.

In his remarks this week, Federal Reserve Chair Jerome Powell stated that the Fed "is strongly resolved to bring inflation down to 2 percent, and we will keep at it until the job is done." This stance has resulted in increases in the *fed funds rate*—the interest rate at which banks lend to each other overnight—from near-zero to 3 to 3.25 percent. This marks the most aggressive Fed tightening in the modern era.

While the markets had been bracing for a more aggressive Fed, investors seemed to have been caught off guard in recent weeks, prompting another period of recalibration while they attempt to quantify the follow-on effects. And with each Federal Reserve meeting, inflation data release, gross domestic product announcement, and corporate earnings estimate revision, investors are seeking to weigh the impact of the Fed's actions as they trickle through the economy.

Will the Fed be able to tamp down inflation without pushing the economy into recession? What will be the ultimate impact on the various sectors of the economy, jobs, and housing? We expect continued market volatility as investors weigh new data and adjust their expectations. This recalibration will take time.

As always, a well-diversified portfolio tailored to your risk appetite and financial goals is the best long-term strategy and can help provide the peace of mind necessary to stay the course through volatile markets. Periods like the one we are experiencing are causes for concern, but they also create opportunity for long-term investors. Market pullbacks provide investors with catalysts to consider their asset allocations and ensure that they are taking an appropriate level of risk.

We will be following developments closely and will keep you up to date. If you have questions or concerns, please do not hesitate to bring them to our attention.

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