

October 20, 2022

Good Morning,

Amid continued volatility, stocks have started Q3 on a positive note as corporate earnings start to roll in with better-than-expected numbers. Markets have likely priced in a recession for the US, and we will learn later this month if it has already begun in Q3. The Fed still hopes they can continue to raise interest rates to offset inflation without triggering an economic recession. In the meantime, the sharp drop in investment account values may yet trigger a negative “wealth effect” whereby consumers spend less due to a drop in their net worth. Declining stock and bond prices might have done some of the Fed’s work already.

This week we celebrate the 35th anniversary of Black Monday. On October 19th, 1987, the Dow Jones Industrial average fell 22%, its largest one-day drop ever. For perspective, the Dow would currently have to fall 6,700 points in one day to match the 1987 crash. For additional perspective, the S&P 500 Index has fallen 22% year-to-date. The selloff of 2022 has been orderly and without panic – for the most part. But that doesn’t make it feel any better!

This morning we received data indicating that existing home sales fell in September to their lowest level in 10 years. Rising interest rates are impacting housing sales as mortgages become more expensive. In theory this is bad economic news, but markets reacted positively with all major stock indices swinging upward after the announcement. As we’ve stated recently, bad economic news will be viewed positively by investors as a sign that interest rates don’t have much farther to go on the upside.

Please visit our website at www.canfg.com or the link below for the last Market Update from Commonwealth Financial Network® – the broker/dealer that supports us in helping you manage your financial life.

http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

I hope your week is full of actual good news!

Wade

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