

MONTHLY ECONOMIC UPDATE

November 2022

MONTHLY QUOTE

“Your time is limited, so don’t waste it living someone else’s life.”

- Steve Jobs

MONTHLY TIP

Collaboration among investment, legal, and accounting professionals may make a big difference in the scope and execution of a financial strategy.

THE MONTH IN BRIEF

U.S. Markets

Stocks posted big gains in October, propelled by better-than-expected corporate reports.

The Dow Jones Industrial Average led, gaining 13.95 percent. The Standard & Poor’s 500 Index tacked on 7.99 percent, while the Nasdaq Composite added 3.90 percent.¹

A Volatile Few Weeks

October opened with a powerful two-day rally, but the momentum faded. News that Britain’s prime minister had reversed her tax cut proposal helped spark the rally, but the gains were erased on renewed fears of higher interest rates and possible recession.²

Market volatility accelerated when a higher-than-expected consumer inflation number sent stocks tumbling in early trading before inexplicably staging a massive reversal that saw the Dow Industrial rally 1,500 points from its intraday low.³

Earnings Spark Rally

As earnings season opened mid-month, investors put aside worries about Fed policy and recession to focus on how companies fared in the third quarter.

By the end of October, 263 companies in the S&P 500 index had reported earnings, and 73.4 percent had topped Wall Street analysts’ estimates – above the 66 percent long-term average. Sales rose by 10.3 percent, but much of that gain was attributed to the effects of inflation.⁴

Mega-Cap Tech Blues

Several mega-cap technology names checked in with disappointing earnings for the quarter and provided weak guidance for the months ahead. The news surprised some investors and resulted in lower stock prices.

Old Economy Names Sparkly

While the mega-caps struggled with declining advertising, poor expense management, and a deceleration in cloud-computing growth, some “old economy” names checked in with quarterly numbers that were above expectations. For instance, in the industrials industry group sector, 83 percent of companies reported earnings above expectations compared with the 73.4 percent average.⁵

This divergence in third-quarter earnings between mega-cap tech and old economy names contributed to the wide dispersion in performance between the Dow Industrials and Nasdaq Composite this month.

Sector Scorecard

All industry sectors notched gains in October, with gains in Communications Services (+0.67 percent), Consumer Discretionary (+1.11 percent), Consumer Staples (+9.01 percent), Energy (+24.97 percent), Financials (+11.92 percent), Health Care (+9.61 percent), Industrials (+13.89 percent), Materials (+8.93 percent), Real Estate (+2.00 percent), Technology (+7.85 percent), and Utilities (+1.94 percent).⁶

What Investors May Be Talking About in November

November will be a busy month for investors.

First, the market will be digesting another Fed change to interest rates and the outcome of the midterm elections. Investors will also be getting updates on inflation and the labor market.

The Consumer Price Index is set for release on November 10th, and investors will be anxious to see if inflation is moderating. The Producer Price Index will be released on November 15th, providing insights into the cost pressures producers of goods and services face.

In addition, investors' attention is expected to be focused on monthly employment reports and the weekly initial jobless claims. Trends in the job markets and wage growth will play a role in the Fed's future decisions about interest rates.

Should We Reconsider What “Retirement” Means?

The notion that we separate from work in our sixties may have to go.

An executive transitions into a consulting role at age 62 and stops working altogether at 65; then, he becomes a buyer for a church network at 69. A corporate IT professional concludes her career at age 58; she serves as a city council member in her sixties, then opens an art studio at 70.

Are these people retired? Not by the old definition of the word. Our definition of “retirement” is changing. Retirement is now a time of activity and opportunity.

Generations ago, Americans never retired – at least not voluntarily. American life was either agrarian or industrialized and formalized retirement was not something they would have recognized. Their “social security” was their children.

After World War II, the concept of retirement changed. The typical American worker was now the “organization man” destined to spend decades at one large company. Americans began to associate retirement with pleasure and leisure.

By the 1970s, the definition of retirement had become rigid. You retired in your early sixties because your best years were behind you, and it was time to go. You lived your remaining years with an employee pension and Social Security checks, and the risk of outliving your money was low. Turning 90 was remarkable, much more than today.

One factor has altered our view of retirement more than any other. That factor is the increase in longevity. When Social Security started, retirement was the quiet final years of life; by the 1960s, it was a sort of extended vacation lasting 10-15 years; today, it can be a decades-long window of opportunity.

Working past 70 may soon become common. Whether by choice or chance, some may retire briefly and work again; others might rotate between leisure periods and work for as long as possible. Working full-time or part-time not only generates income. Another year on the job also may mean one less year of retirement to fund.

Perhaps we should see retirement foremost as a time of change – changing what we want to do with our lives. Preparing for change may be the most responsive move we can make for the future.

The Fed

Minutes from September's Federal Open Market Committee (FOMC) meeting reflected members' concern over persistently high inflation.⁷

The FOMC members agreed that additional rate hikes would keep inflation from becoming embedded into the economic landscape and help prevent greater economic pain in the long run. Several members also expressed worries that overdoing such rate increases might raise the risk of economic and financial market volatility.⁷

MARKET INDEX Y-T-D CHANGE October 2022

MARKET INDEX	Y-T-D CHANGE	October 2022
DJIA	-9.92%	13.95%
NASDAQ	-29.77%	3.90%
S&P 500	-18.76%	7.99%

BOND YIELD Y-T-D October 2022

BOND YIELD	Y-T-D	October 2022
10 YR TREASURY	2.57%	4.08%

Sources: Yahoo Finance, October 31, 2022.

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S.

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