Horizon Wealth Management
Weekly Market Commentary
September 19, 2022

The Markets

It's open to interpretation.

Jackson Pollock was an action painter. He poured, dropped, and dripped paint onto horizontal canvases. Some people look at his work and wonder why it's highly valued. Others find deep meaning in the paintings. For instance, Pollock's *Convergence* is a collage of splattered colors that has been described as "the embodiment of free speech and freedom of expression…It was everything that America stood for all wrapped up in a messy, but deep package."

Today, gauging the state of the American economy is akin to interpreting abstract art. Many economic indicators suggest the economy remains strong despite the Federal Reserve's efforts to cool it off. For example:

- **Inflation is sticky**. Last week's inflation report wasn't everything Americans hoped it would be. Overall, prices moved 8.3 percent higher over the 12-month period that ended in August. Core inflation, which does not include food and energy, moved higher from July to August. Taming inflation is the Federal Reserve (Fed)'s job.

- **Rates have been moving higher**. As it works to tame inflation, the Fed is raising the federal funds rate at a rapid pace. Some are concerned that the Fed will make a policy mistake and raise rates too much, causing a recession. In August, Fed Chair Jerome Powell warned some pain may be ahead for the U.S. economy.

- **The labor market remained vibrant**. Despite the Fed's efforts, U.S. employers added jobs last month and more Americans returned to the workforce. At the end of August, the unemployment rate was slightly higher at 3.7 percent, reported Megan Cassella of *Barron's*, which could mean Fed tightening is beginning to have an effect.

- **The manufacturing sector continued to grow**, and so did the services sector. *The Institute for Supply Management* reported the Manufacturing Purchasing Manager's Index (PMI)® and the Services PMI® showed the economy expanded for the 27th consecutive month. Readings above 50 indicate economic growth. New orders were up in August, and prices were down.

- **Consumers were more optimistic**. As gasoline prices dropped, the University of Michigan's Consumer Sentiment Index showed that consumer sentiment rose to a five-month high last week. That's not as positive as it may seem. Sentiment levels were comparable to those during the Great Recession, reported Alicia Wallace of *CNN*.

While economic data are open to interpretation, one thing is for sure: many investors are not happy. Retail investors remained strongly bearish last week, according to the AAII Sentiment Survey, and institutional investors had little appetite for risk. Some investors are making losses permanent by moving from equities to cash. Some are holding investments as they wait for the turmoil to end, and others are waiting patiently for opportunities to arise in the midst of market volatility.

Major U.S. stock indices moved lower last week, and U.S. Treasury yields moved higher across the yield curve.

Data as of 9/16/22	**1-Week**	**Y-T-D**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 Index	-4.8%	-18.7%	-13.4%	8.9%	9.1%	10.2%
Dow Jones Global ex-U.S. Index	-1.7	-21.9	-23.6	-1.0	-1.1	1.5
10-year Treasury Note (yield only)	3.5	N/A	1.3	1.8	2.2	1.8
Gold (per ounce)	-2.9	-8.5	-4.8	3.6	4.9	-0.6
Bloomberg Commodity Index	-1.5	17.7	18.4	12.8	6.5	-2.6

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

MAKING WAVES. Ocean waves pack a lot of power. According to the Office of Energy Efficiency and Renewable Energy, a single wave could power an electric car for hundreds of miles. And yet, when people talk about renewable energy, you don't hear much about wave power.

Americans have been working to harness the energy of waves since the late 1800s. Christine Miller of the *Western Neighborhoods Project* described the excitement around wave energy in California at the turn of the 20th century.

"In December of 1881 the *San Francisco News Letter* ran a small article about the tremendous potential of the wave motor developed by a Californian named John W. Swailes. His invention was to be used for 'public and private baths in this city, watering streets, flushing sewers, generating compressed air for driving machinery, also electric energy for illuminating the streets, etc. together with the last and most important purpose of extinguishing fires…'

"For two decades [1890-1910] wave motors of various designs were experimented with along Southern California's beaches…Most notable was the Starr Wave Motor of Redondo Beach which began construction in 1907. It was a large project that hoped to supply power for six counties. In the end, the enormous machine collapsed in 1909 because of the flimsy construction of the pier on which it was attached."

Today, waves have the potential to provide about 64 percent of total U.S. electricity generation, according to the U.S. Energy Information Administration (EIA), if we can figure out how to efficiently harvest wave power. A variety of methods and technologies are being developed and tested.

Weekly Focus – Think About It

"There's nothing wrong with enjoying looking at the surface of the ocean itself, except that when you finally see what goes on underwater, you realize that you've been missing the whole point of the ocean. Staying on the surface all the time is like going to the circus and staring at the outside of the tent."

—*Dave Barry, humorist*

Best regards,

Chris Dumford, CFP®, AIF®
Larry Makatura, CFP®, AIF®

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
* Asset allocation does not ensure a profit or protect against a loss.
* Consult your financial professional before making any investment decision.
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