GBA Financial
financial planning for retirement

Newsletter

November 2022

Strong Rebound

The performance of the stock and bond markets continue to be driven by expectations regarding the timing and magnitude of rate increases by the Federal Reserve Board (Fed). The broader markets seemed to reverse sentiment in October to help drive positive performance across several markets. The S&P 500 was higher by +7.99%, the NASDAQ Composite increased +3.90%, the Russell 2000 jumped +10.94% and the MSCI ACWI ex-USA rose +2.92% during October. The 10-year US Treasury rate increased from 3.83% last month to 4.10% at the end of October, which led to a modest loss of -1.30% for the Bloomberg US Aggregate index.

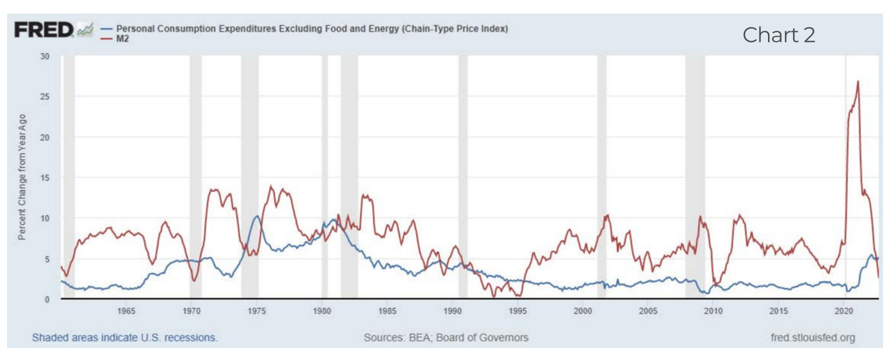
Market Sentiment Key Driver

We continue to believe that market sentiment regarding the timing and magnitude of rate increases by the Fed is a primary driver of performance for stocks and bonds on a short-term basis. For example, stock and bond returns were quite negative during September as the market was expecting the Fed to continue to raise rates by 0.75% at each meeting for the remainder of 2022. Rumors that the Fed may possibly back off that aggressive approach started to make its way into the market around the middle of October, which led to a strong rebound for stocks and, to a lesser degree, bonds.

While we recognize the short-term impact market sentiment is having on performance, we are remaining disciplined with our investment process and how we position client portfolios. As we have said in the past, we believe the Fed playbook has switched from an accommodative policy to drive full employment to a less accommodative stance to fight inflation. This is the so-called "dual mandate" that the Fed must work to achieve. While the market may change opinion on the Fed from month to month, we will remain focused on economic data, corporate earnings and guidance from the Fed itself (not rumors) to help shape our market outlook.

Sprigs of Green

We believe the primary concern for the market during 2022 has been inflation. We are not unique with this view and the topic has been well documented throughout the year by us and others. We think, however, that we may be starting to see some nascent sings of positive change relating to inflation. To begin with, the growth in money supply, as measured by M2, dipped below the overall increase in inflation, as measured by core Personal Consumption Expenditures (PCE), during August. See CHART 2. There tends to be a positive correlation between money supply and inflation so declining money supply may be foretelling lower inflation in the months ahead.



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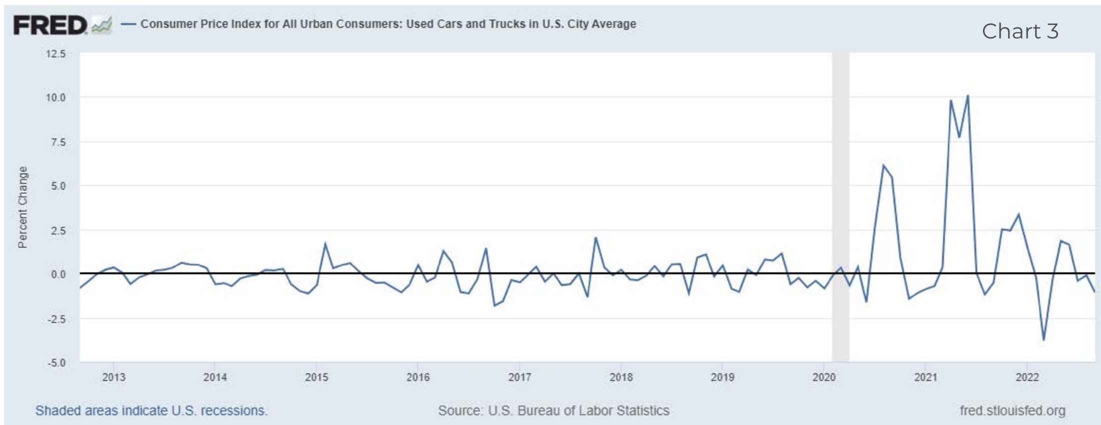
Another sign that inflation may be slowing is that prices for used cars and trucks have been declining for much of 2022. After increasing significantly in 2021, auto pricing began to cool in 2022 including a -3.8% decrease in March. Prices then picked up again for a couple of months but began to retreat again in July, August and September. See CHART 3.

Finally, home prices appear to have peaked in March with an almost 21% year-over-year increase. See CHART 4. Although prices continue to rise on a year-over-year basis, the rate of change is slowing and that should translate to lower inflation over time.



Plan of Action

Given our "weight of the evidence" approach, we continue to be positioned relatively defensive. We have held this posture for the majority of 2022. That said, given some of the green shoots we have identified, we are open to the possibility of making small adjustments to put more offense on the field as more data are revealed. Accordingly, we have multiple game plans to enact as different scenarios unfold. As usual, we will provide detailed updates as we adjust the positioning of our portfolios.

MARKET TRACKER – 10/31/2022

INDEX	3 mo	1 yr	3 yr	5 yr
S&P 500	-5.86%	-14.61%	10.22%	10.44%
MSCI ACWI ex-USA	-10.20%	-24.35%	-1.23%	-0.13%
BB US AGG Bond	-8.23%	-15.68%	-3.77%	-0.54%

(Source: yCharts and Portfolio Partners)

MARKET TRACKER – 10/31/2022

S&P 500..3,871.98
DIJA 32,732.95
NASDAQ...10,988.15
WTI CRUDE OIL..............$86.53/BARREL
GOLD................................$1,635.90/OUNCE
10-YEAR TREASURY FIELD..............4.10%
UNEMPLOYMENT.................................3.50%
GDP...2.60%
PPI..8.54% YoY
CPI..5.15% YoY

(Source: yCharts,Dorsey Wright and Portfolio Partners)

Thank you for your trust and support.
Stay focused on your long-term objectives.

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All investing involves risk, including the possible loss of principal. There is no assurance that any investment strategy will be successful. A diversified portfolio does not assure a profit or protect against loss in a declining market.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securi-ties that are classified as "growth" based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity secu-rities.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securi-ties that are classified as "value" based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity secu-rities.

The S&P 500® Information Technology comprises those companies included in the S&P 500 that are classified as members of the GICS® infor-mation technology sector.

The S&P 500® Health Care comprises those companies included in the S&P 500 that are classified as members of the GICS® health care sector.

The S&P 500® Consumer Discretionary comprises those companies included in the S&P 500 that are classified as members of the GICS® con-sumer discretionary sector.

The S&P 500® Utilities comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.

The S&P 500® Communication Services comprises those companies included in the S&P 500 that are classified as members of the GICS® com-munication services sector.

The S&P 500® Real Estate comprises stocks included in the S&P 500 that are classified as members of the GICS® real estate sector.

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

The S&P 500® Consumer Staples comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.

The S&P 500® Materials comprises those companies included in the S&P 500 that are classified as members of the GICS® materials sector.

The S&P 500® Industrials comprises those companies included in the S&P 500 that are classified as members of the GICS® industrials sector.

The S&P 500® Financials comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

The S&P 500® Energy comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technol-ogy stocks and is also used to refer to the Nasdaq Composite, an index of more than 3,000 stocks listed on the Nasdaq exchange. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Com-posite Index is a broad based index. The MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The Bloomberg Barclays US Aggregate Bond Index, which was originally called the Lehman Aggregate

Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The MSCI All-Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

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