October 22

Last Month in Review:

What guidance did September provide for the 4th quarter?

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KEY INSIGHTS

- September saw stocks fall substantially
- Bond yields continue to climb lowering their purchase value
- The 4th quarter may be a repeat of the same - volatility

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September might just be a month many will want to forget. Several of the so called “experts” did not expect to see markets retest their early summer lows, but that is in fact what happened. If you recall, the S&P 500 fell nearly 12% from June 7th to June 17th of this year erasing most if not all of 2021 gains. At Friday’s market close, the S&P was down over -25% YTD and nearly -10% for the month of September alone firmly putting the market in bear territory.

One of the more interesting aspects to the current market is its interpretation of data and inability to hold gains. It was not long ago that any data point seen was positive and market prices would rally. Premarket and early morning sell-offs were met with buyers and then the markets quickly regained losses. True it was volatile, but many thought this was resiliency of the market. Fast forward to today and we find the so called “experts” re-tracing their initial bullish sentiment.

In the fixed income market, bonds have had what can only be described as a brutal month. 10 year notes are currently yielding 3.74%, while 2 year notes are over 4.2%. This has created an inverted for much of this year, meaning shorter term maturities are yielding higher rates than longer term maturities – (FYI, that is not a good thing). An inverted yield curve is often cited as a sign of an economic recession. The jump in yields across the board has pushed mortgage rates to their highest levels in fifteen years with 30 year mortgage rates at **6.7%.** Exactly 12 months ago I financed my home at 2.8%!!!

Economic data remains very much mixed. Housing prices are beginning to show signs of weakness. However, consumer spending has remained strong. Last week’s initial jobless claims number was better than expected – which is good despite some high-profile companies announcing layoffs. Later this week, we’ll get the September employment report which will certainly be an event markets key in on.

Keep in mind markets are not the economy and should only be seen as a future discounting mechanism. Though volatility is expected to persist, we suggest caution for new purchases as we enter the last quarter of the year. Why? Most institutional investors (those trading billions per day) will be rebalancing their portfolios in preparation for next year. This can create noise where volatility can be exacerbated. Therefore, I would not be surprised if we see a very choppy market as we did in the second quarter of this year.

Bottom line: While we are long-term positive, we are short-term cautious as the equity market is likely to test lower support levels. Equities are still fighting the Fed with a series of Fed funds rate hikes, a strong dollar and geo-political risk at a time where inflation is front and center. The jury is still out, but this is not the time to panic. iPlan’s portfolios are thankfully beating peer benchmarks which is good, but the goal is to maintain your holdings to protect your lifestyle... not chase the market. Let us know your thoughts!!!

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