



3rd Quarter 2022 Newsletter

Economic and Market Overview

- Global interest rates jumped in late September as central banks around the world raised rates to combat inflation. One year U.S. Treasury Bills are earning over 4%, and 30-year fixed mortgage rates averaged 6.7% as of 9/30/22.
- As interest rates rise, short-term bonds continue to hold up better than long-term bonds. Many short-term bonds are now paying over 4%.
- Growth and tech stocks soared to high Price/Earnings ratios last year, but have seen significant losses this year. Value priced stocks with lower P/E ratios have held up better. The Russell 3000 Growth index declined 30.57% YTD through September, while the Russell 3000 Value index declined 17.97% during the same time period.
- Gold and cryptocurrencies have both declined this year, despite their perceived reputations as hedges against inflation and stores of value. Gold (GLD) is down 9.5% YTD, and Bitcoin (BTC) is down 59.5%.
- The economy as a whole, with rising consumer spending, normalizing supply chains, and a tight labor market, is still strong.

News and Observations

- Watching market news all day would lead you to believe that investing is a minute-by-minute decision, constantly guessing the future of the Federal Reserve's decisions, inflation, individual companies, and more. Historically, long-term investors have benefitted from staying invested and maintaining a target portfolio allocation through disciplined rebalancing.
- The impact of being out of the market, even if only for a short time, can be significant. A hypothetical investment of \$1,000 in the broad US stock Russell 3000 Index in 1997 would have grown to \$10,367 by the end of 2021. Had you missed just the best week of returns over that span, the investment would be worth only \$8,652 (Source: Dimensional Fund Advisors, 2022).
- Investor sentiment, a measure of how investors feel about near-term market returns, is a contrarian indicator. Investors tend to feel positive when the market is rising and negative when it is falling. Historically, markets have seen above-average returns following times of very low investor sentiment.
- In 2023, the maximum IN 529 tax credit increases to \$1,500/year. A contribution of \$7,500/year is required to receive the full state tax credit.

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Market Index Returns

	Q3	YTD
S&P 500 (Large Cap)	-4.9%	-23.9%
Russell 2000 (Small Cap)	-2.2%	-25.1%
MSCI International Index	-9.1%	-25.9%
MSCI Emerging Markets	-11.4%	-26.9%
US REIT Index	-10.4%	-29.3%
Bloomberg Commodity Index	-4.1%	13.6%
BofA 1-3 yr Corporate & Govt. Bond Index	-1.5%	-4.6%

We sincerely appreciate your business and referrals.