DECEMER 31, 2022
ECONOMIC UPDATE

LANDMARK
WEALTH MANAGEMENT

FINANCIAL MARKET UPDATE

All asset classes rallied in the 4th quarter to close out one of the most challenging years for investors since 2008. Oversold equity and bond markets saw a positive quarter as inflation metrics showed improvement. Diversified strategies such as Infrastructure and Multisector bonds held up best for the year. US Large Cap Equities, Emerging Markets, and Real Estate had the largest declines. Fixed Income experienced its worst year since 1977 when returns were first tracked. However, many industry experts are optimistic about bond return prospects heading into 2023. Bond yields are at levels not seen since the mid-2000s; further, most Federal Reserve interest rate increases have likely been factored into bond prices, setting the stage for an attractive period of returns.

The stock market tends to move in advance of the economy. A large degree of the market pain experienced in 2022 can be attributed to the potential for a recession in 2023. Inflation, Federal Reserve policy, and GDP growth will influence markets heavily in the 1st half of 2023 as market participants look for more clarity on the economy's direction.

Asset Class	2022
Infrastructure	-1.0%
Multisector Bonds	-9.8%
US Core Bonds	-13.0%
US Mid Cap	-13.1%
Developed International	-14.5%
US Small Cap	-16.1%
US Large Cap	-18.1%
Equity Alternatives	-18.4%
Emerging Markets	-20.1%
Real Estate	-25.4%

An index is a hypothetical portfolio of securities representing a particular market or a segment of it used as indicator of the change in the securities market. Indexes are unmanaged, do not incur fees and expenses and cannot be invested in directly

INTEREST RATES & INFLATION

The Federal Reserve tightened monetary policy by 0.75% at its October meeting and again by another 0.50% at its December meeting (as expected). The current range of the Federal Funds Rate is 4.25% to 4.50% - the highest in 15 years. The market is currently anticipating 0.75% of additional tightening in 2023.

Policy moves typically take six to eight months to see their effects on the broader economy. If inflation or employment numbers are hotter than expected, we could see corresponding larger interest rate increases than initially projected. Fortunately, inflation has moderated since peaking at 9.1% in June. November saw the headline number fall to 7.1% and December 6.5%, still far above the Federal Reserve's target range of 2 – 3% but trending in the right direction.

EMPLOYMENT

Monthly employment in 2022 averaged 375,000 new jobs per month. Although down from 562,000 per month in 2021, this still represents strong employment levels. The Federal Reserve will be looking for a still growing, albeit less robust, job market in 2023 as an indication that their interest rate increases are slowing the economy and, in turn, inflation. Moreover, slower wage growth noted in the December jobs report was also seen as an indication that inflation may be slowing.

US ECONOMY

US GDP growth rebounded in the 3rd quarter at a pace of 3.2% and is forecasted to have also grown strongly in the 4th quarter, after weaker growth in Q1 and Q2. Heading into 2023, growth is expected to slow, and we may see a Federal Reserve induced recession as part of their efforts to combat inflationary prices.

IN FOCUS FOR 2023

Markets and economies will be influenced by several factors over 2023, including:

- Current levels of inflation and whether price moderation continues as forecasted.
- Federal Reserve policy to combat inflation.
- Reasonable market valuations, a strong but cooling US job market, whether the US consumer remains resilient, and the potential for a recession.

The past year has been challenging, not only for markets, but investors. Our team continues to look for opportunities to add value through tax strategies (where applicable), rebalancing, diversification, opportunistic investing, and a high service level.