



## Market Commentary December 12, 2022

### Dear Investors:

What comes next?

The U.S. stock market tends to be a forward-looking vehicle. Investors make decisions today based on what they think may be ahead for the economy, and how economic change may affect the companies they're considering for investment. Currently, key questions include:

- Will inflation be lower in 2023?
- Will Federal Reserve (Fed) policies change? When will they change?
- Will economic growth remain strong next year? Or will it slow or contract?

Opinions about the answers to these questions vary, and that's one reason markets have been volatile lately. For example, some think the U.S. economy is headed for:

- **A soft landing.** This is the Goldilocks ideal. In December, a large investment bank said there was a 35 percent chance the United States is headed for a soft landing, which the bank defined as inflation falling to 4 percent, the Fed funds rate rising to 5 percent, and economic growth settling at 1 percent.
- **A period of stagflation.** A November survey of 272 asset managers with \$790 billion under management reported that 92 percent of respondents expected the United States to experience a period of stagflation over the next 12 months, reported Sagarika Jaisinghani of *Bloomberg*. Stagflation is characterized by above average inflation and slowing economic growth.
- **A recession.** There is a diversity of opinion about whether the U.S. will experience a recession in 2023. The Fed put the odds of recession at 50 percent. However, "economists surveyed by *Bloomberg* [in November] saw a 65% chance of recession in the next year, based on the median estimate. A Bloomberg Economics model puts the probability at 100%," reported Matthew Boesler of *Bloomberg*.

It's important to remember the economy is not the stock market. It is just one of the many factors that influence share prices. Each of the economic possibilities would affect share prices and market sectors differently.

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With so much uncertainty, it's hard to know what will happen. As baseball great Yogi Berra said, "It's tough to make predictions, especially about the future." That's why it's a good idea to hold a well-allocated and diversified portfolio that targets your financial goals.

Last week, major U.S. stock indices finished lower, and the Treasury yield curve remained inverted.

<b>Data as of 12/9/22</b>	<b>1-Week</b>	<b>Y-T-D</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Standard & Poor's 500 Index	-3.4%	-17.5%	-15.7%	7.9%	8.1%	10.7%
Dow Jones Global ex-U.S. Index	-0.5	-17.4	-16.7	-0.4	-0.7	2.0
10-year Treasury Note (yield only)	3.6	N/A	1.5	1.8	2.4	1.6
Gold (per ounce)	0.6	-1.3	1.1	7.1	7.6	0.5
Bloomberg Commodity Index	-2.4	12.7	15.7	14.8	5.8	-2.4

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.

**FEELING SOME HOLIDAY STRESS?** Holidays can be wonderful, and they can be a lot. If the joy of the season is eclipsed by stress, anxiety or depression, here are some tips that can help.

- **Pet a pup.** Find a few minutes to spend with your pets. Loving on animals – dogs, cats, bunnies, guinea pigs, reindeer – engages the social and emotional section of the human brain. As a result, it can help you cope when you feel stressed or depressed.
- **Find the humor.** Humor can help, too. When kids find the gifts and unwrap them early, the cat tips the tree over – again, or your parents or in-laws say things they shouldn't, try to find the ridiculous, over-the-top angle that makes it funny. If you just can't, try smiling. Even a fake smile will cause endorphins to be released.
- **Reach out.** Performing acts of kindness can lift your spirits during the holidays. Set up a food drive. Donate gifts to a homeless shelter. Make a charitable contribution to an animal rescue or another cause. Visit people in a nursing home. Run a race for a good cause. You get the idea.
- **Spend less.** One of the biggest holiday stressors is money. Before you start shopping and entertaining, decide what you can afford to spend this year, and then stick to your budget. If you regularly overspend on gifts, decide how much you are going to spend and stick to it. Ways to control costs include making homemade gifts and donating to a good cause in the recipient's name.
- **Just say "No."** You don't have to accept every invitation this season. When you're tired of people and celebrations, make time to do something that you enjoy. Listen to music. Take a walk. Watch funny videos. Read a book. Give yourself an opportunity to rest and recover.

We hope you have happy and healthy holidays!

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## Weekly Focus – Think About It

“Kindness in words creates confidence. Kindness in thinking creates profoundness. Kindness in giving creates love.”

—Lao Tzu, philosopher

Best regards,



John Y. Kim, J.D., LL.M.  
President

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.

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\* 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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