

Newsletter

2022 Part 2

Market Commentary

Investors could not be more excited to put 2022 behind them. It was a rough year dominated by market-punishing Federal Reserve rate hikes in an effort to combat the highest inflation in forty years. We saw a dramatic performance shift from growth stocks to value stocks as technology companies were hit hardest. Although the Dow Jones Industrial Average only ended the year down 8.9%, we expect the financial markets to remain volatile through 2023 until the Federal Reserve gets inflation under control and pivots on interest rates.

The world is still slowly normalizing after the COVID-19 pandemic but continues to have manufacturing and supply chain drawbacks. The multi-trillion-dollar supply chain crisis is causing shipping delays, higher freight costs, and severe port congestion. The average cost to ship a container from Asia has risen over 500% since the start of the pandemic according to Traeger Grills CEO, Jeremy Andrus. These delivery bottlenecks are drawing attention to U.S. manufacturing's overreliance on foreign production, specifically from Asia-based factories.

U.S. based companies have also been hurt by the dollar's surge against other currencies. The increased dollar makes it more expensive for multinational corporations to convert their earnings back into dollars. It also means that other countries will buy less goods and services from the U.S., which negatively effects GDP.

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The United States Federal government continues exorbitant spending and opposition of domestic energy production, which are correlating to inflationary problems. The U.S. GDP was negative in the first two quarters of 2022. Third quarter GDP growth was 2.6%, but if you back out weapons and energy exports it was almost flat. The Business Cycle Dating Committee of the National Bureau of Economic Research has still not officially declared a recession.

Even with the massive technology and media layoffs that we saw in 2022, unemployment has stayed steady, hovering around 3.5%-3.7% since March. The labor markets have recovered from the pandemic when unemployment peaked at 14.7% in April 2020. Wages are still rising, but still below inflation levels. Hourly earnings increased about 5.1% on average over the last year, according to the December 2nd U.S. Bureau of Labor Statistics report. Inflation came in at 7.7% in October and 7.1% in November.

In the second half of the year the Federal Reserve continued to raise interest rates at full tilt. In 2022 there were seven interest rate hikes. This moved the Fed Funds target rate from 0.25%-0.50% in March to 4.25%-4.50% in December. This drastic increase stunted economic growth, discretionary spending, and more. With the average 30-year fixed mortgage rate at about 6.75%, real estate prices are falling to accommodate the increased debt service demands. We expect mortgage defaults and foreclosures to climb as adjustable-rate mortgages are marked to market at current rates.

The economic outlook for 2023 is mixed. For now, the U.S. economy will tread water and brace for another interesting year. Just like previous downturns, when things change, they can change in a hurry. There's light at the end of the tunnel.

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Market Performance

Equity Indexes (7/1/22 – 12/31/22)

Index	Current Amount (12/31/22)	Percentage Change
Dow Jones Industrial Average	33,147.25	+6.6%
Standard & Poor's 500	3,839.50	+0.4%
Nasdaq	10,466.48	-5.9%
MSCI EAFE	1,943.92	-6.1%
MSCI Emerging Markets	996.50	-3.7%

Source: Google Finance, Yahoo Finance, MSCI

Treasury Yields (7/1/22 – 12/31/22)

Maturity	Current Yield (12/31/22)	Percentage Change
1 Year	4.73%	+69%
5 Year	3.99%	+33%
10 Year	3.88%	+30%
30 Year	3.97%	+26%

Source: U.S. Department of The Treasury

Currencies (7/1/22 – 12/31/22)

Currency	Current Price (12/31/22)	Percentage Change
Chinese Yuan	\$0.14	-6.7%
Euro	\$1.07	+2.9%
Great British Pound	\$1.21	+0.0%
Japanese Yen	\$0.0076	+2.7%

Source: Google

Cryptocurrencies (7/1/22 – 12/31/22)

Cryptocurrency	Current Amount (12/31/22)	Percentage Change
S&P Bitcoin Index	2,208.16	-14.5%
S&P Ethereum Index	10,649.67	+12.2%

Source: S&P Dow Jones Indices (The S&P Bitcoin Index is designed to track performance of the digital asset Bitcoin. The S&P Ethereum Index is designed to track performance of the digital asset Ethereum)

Oil Benchmarks (7/1/22 – 12/31/22)

Benchmark	Current Price (12/31/22)	Percentage Change
WTI Crude Oil	\$80.26	-24%

Source: Google Finance

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Investor Update

In the second half of the year, FIG Capital added two new team members and a third location in Los Gatos, California. Jason Drotar and John Testa joined FIG Capital from Clidro Private Wealth Management. They each have over 20 years of wealth management industry experience. We're expecting several new advisors and support staff to join our team in 2023.

On a more personal note, Tony and Taylor Montini welcomed their first child, Codie Isabella Montini, on August 3rd at El Camino Hospital in Los Gatos. She's the first grandchild on both sides of the family.

To close out 2022, FIG Capital had its company Christmas party in December.



Thank you for your continued support.

Visit our website [here](https://www.figcapital.com) to learn more about our team.

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