JESSUP WEALTH MANAGEMENT

January Market Update

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- Zoom Market Update Registration
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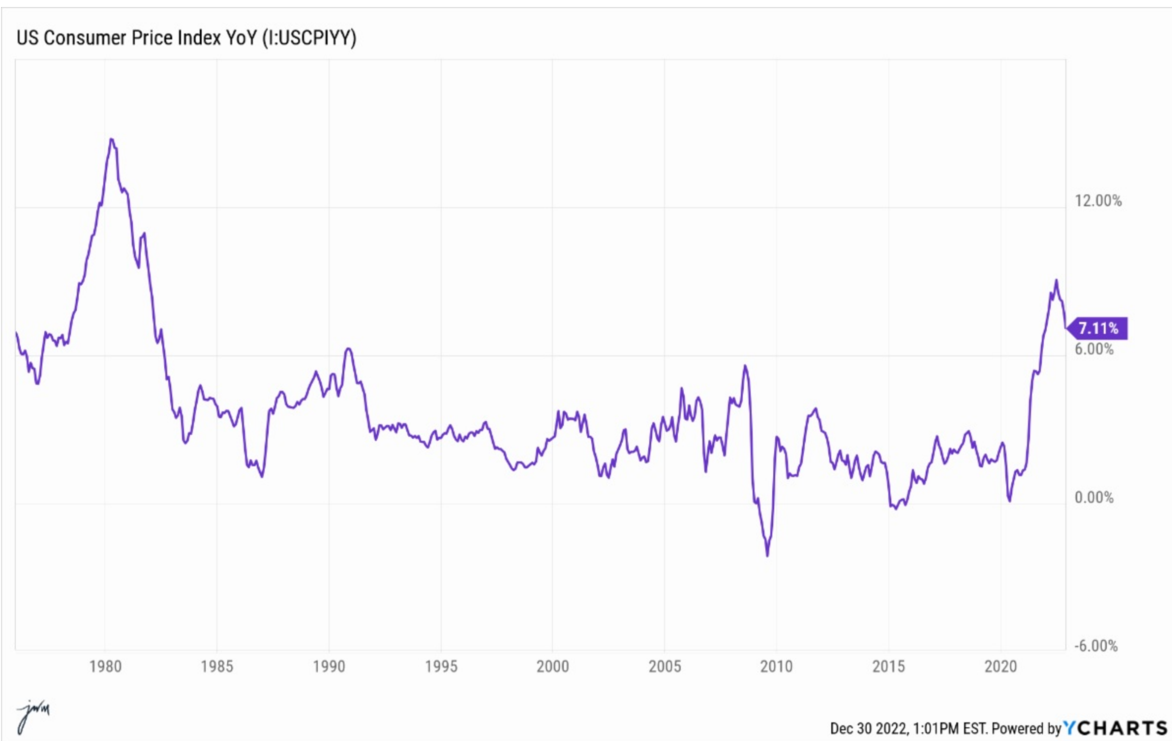
Market Update

Stock indices reversed course after their strong monthly gains in November to close out the year. Below are the 2022 returns for popular benchmarks that investors track (Data provided by Y-Charts & Commonwealth Financial Network):

- S&P 500 Index: -19.44%
- Dow Jones Industrial Average: -8.78%
- Nasdaq Composite Index: -33.10%
- Russell 2000 Index: -21.56%
- S&P Target Risk Moderate Index: -14.41%

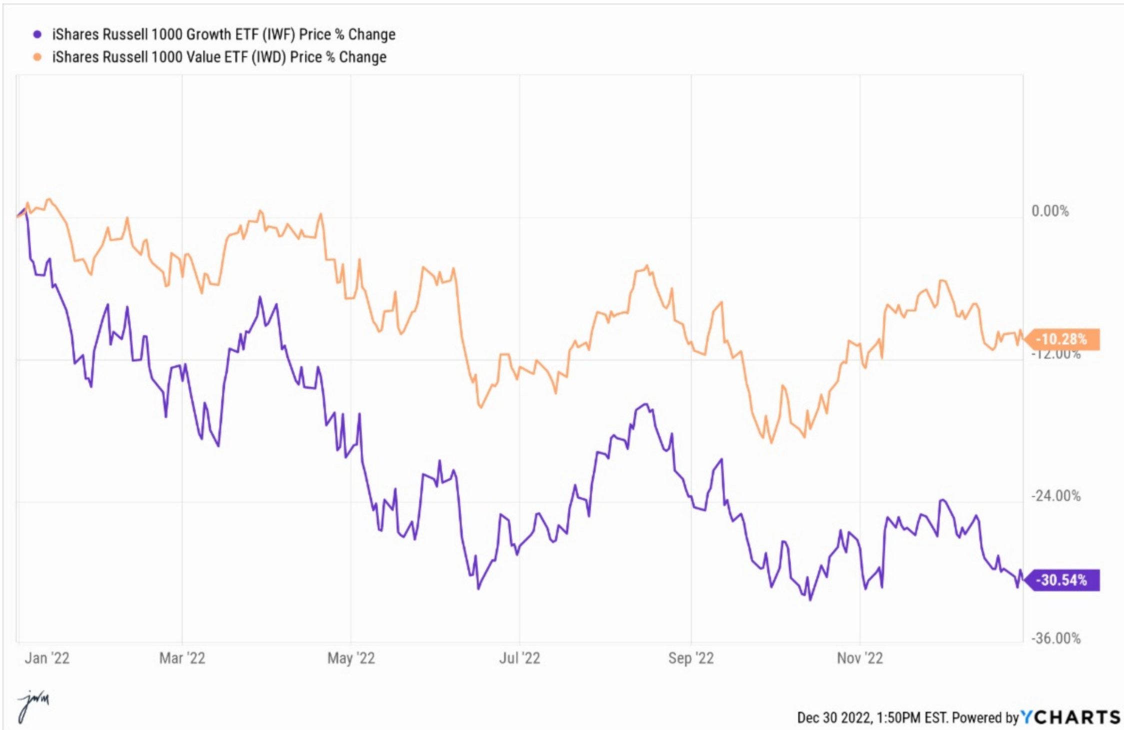
2022 will go down as one of the most challenging investment environments we have ever seen. There were very few places to hide this year, with stocks and bonds both negative and inflation the highest we have seen since the early 1980s.



Below is a recap of the major themes we saw play out in 2022 that had a significant impact on the stock market

Growth vs. Value

One of the hottest topics of debate last year was growth stocks vs. value stocks. After a decade of underperformance, value stocks outperformed growth stocks in 2022 on a relative basis. This was due to the pullback in valuations of growth companies and investors turning to more defensive areas of the market (consumer staples, energy, utilities, industrials) throughout the turbulent year.



As investors, we have to be open to the possibility of value outperforming growth over the next several years. If interest rates remain elevated relative to the past five years, I think we can continue to expect value to outperform growth. Bear markets tend to bring leadership changes. We could be living through that as we speak.

The Almighty US Dollar

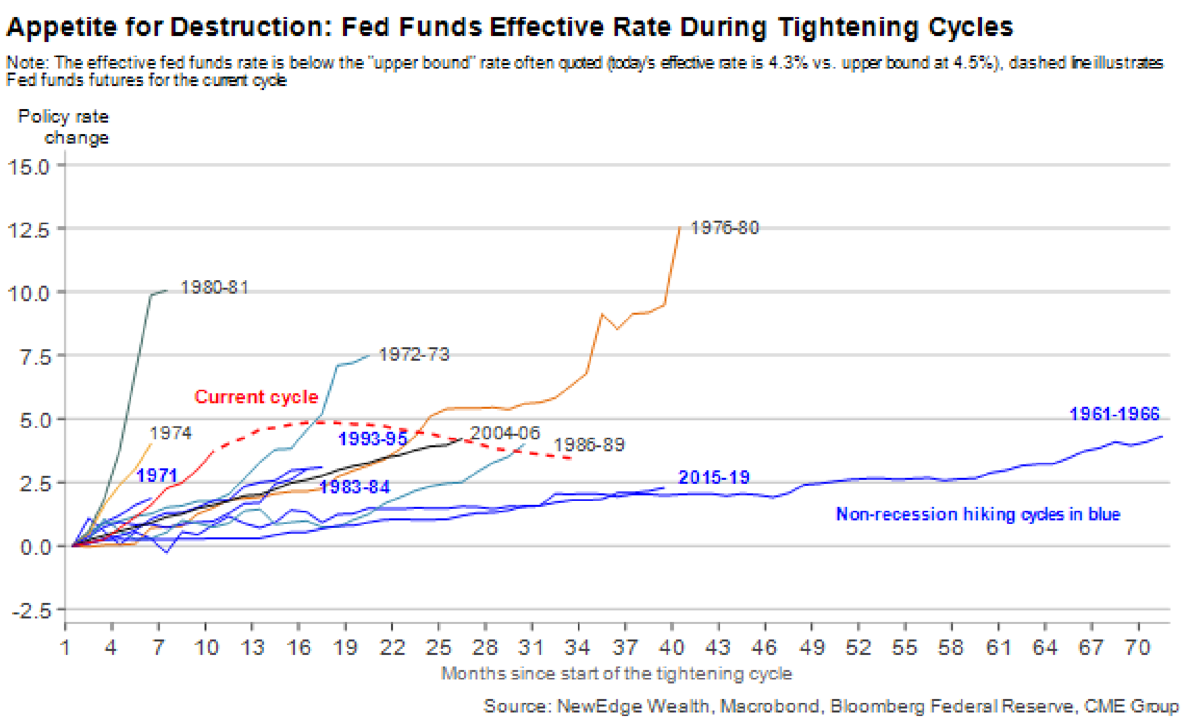
For most of the year, the US Dollar was inversely correlated to the S&P 500. The strong dollar crushed stocks in 2022. However, the dollar is well off its highs seen in September last year. If the dollar continues to fall, it will be a significant tailwind for company earnings, theoretically boosting stock prices. Approximately 40% of revenues for S&P 500 companies come from overseas.

De-Globalization

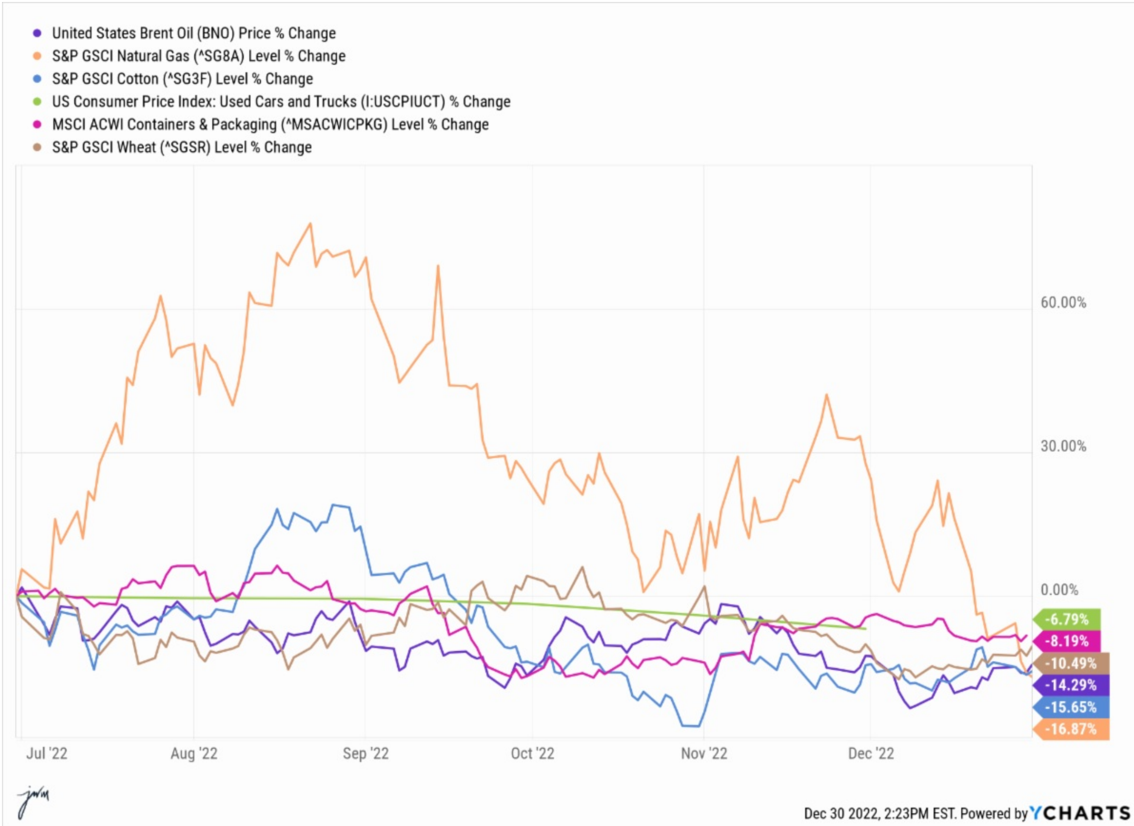
Since COVID, the world has been slowly moving away from globalization. And rightly so, since global supply chains were broken during the pandemic. However, one of the side-effects of de-globalization is sustained higher prices. Goods can be produced at much cheaper costs overseas than in the US. If the number of companies making more products in America continues to increase, I would imagine that prices will rise and stay higher for some time. This will make it more challenging for the average consumer to keep up, and it will also squeeze profit margins for corporate America.

Interest Rates & Inflation

The Federal Reserve hiked interest rates at a pace not seen since the 1980s to combat inflation. This did a number on the stock market and had a massive impact on other themes discussed in this market update.



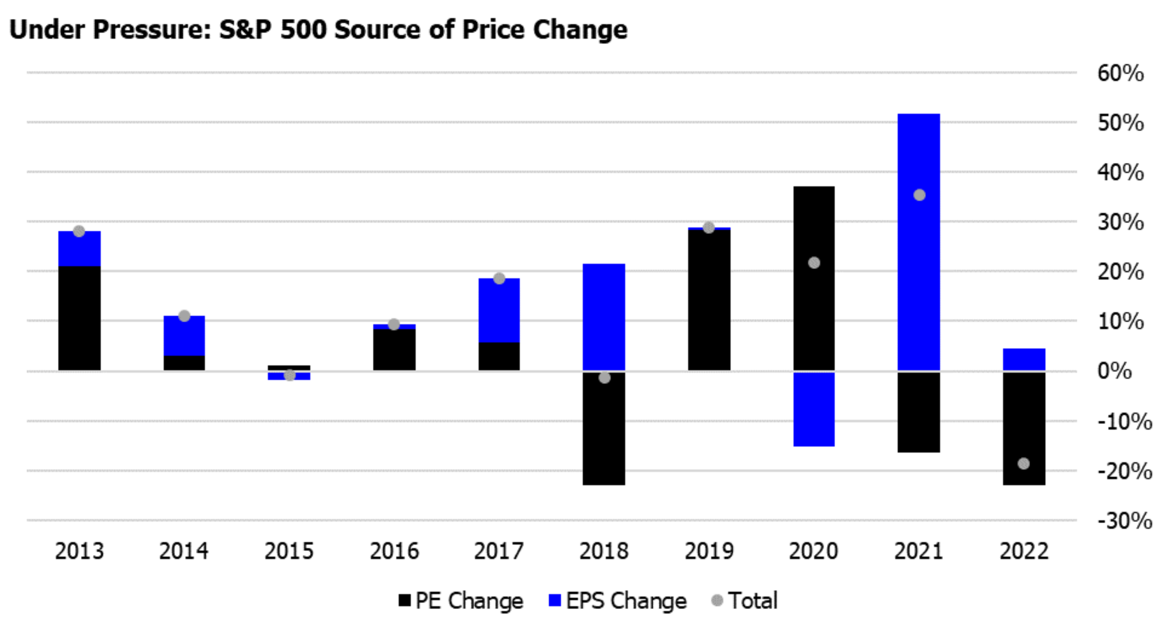
Over the past couple of months, we have seen this strategy begin to work as key inflationary numbers have fallen from their highs. If inflation continues to decline, I expect a massive jolt in the arm for stock prices, which could happen relatively quickly due to the Fed slowing or stopping their interest rate hikes.



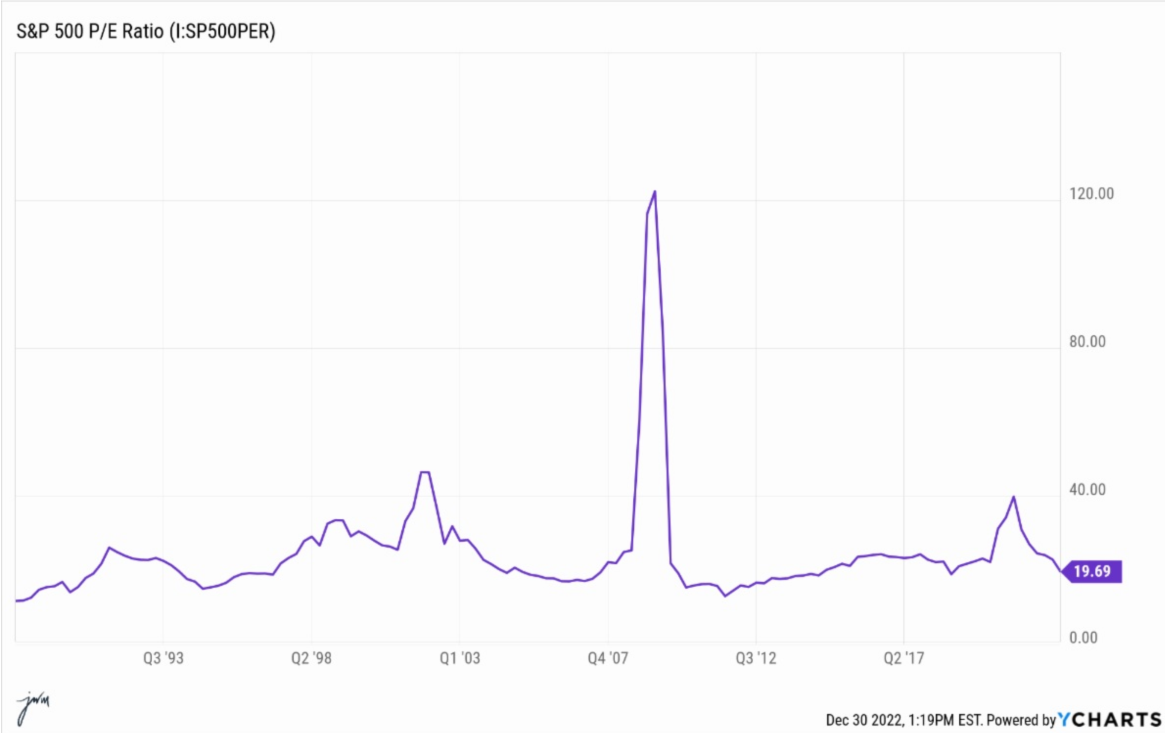
As we look forward to 2023, I want to highlight a few reasons why we believe 2023 will be a better year for markets.

Valuations

As we entered 2022, valuations were extremely stretched compared to historical averages. Investors and economists alike have been arguing this point for the past several years. Everyone knew that at some point, valuations would come in but no one knew when that would occur.



As you can see in the graphic above (Source: newedgewealth.com), the decline in the S&P 500 was due to a pullback in company valuations (we are using the PE ratio as our metric). The elimination of stimulus from the COVID pandemic, which had suppressed interest rates and increased valuations, brought valuations back in line with historical averages.



Consecutive Negative Years

As we have discussed on our podcast recently, it is extremely rare for the S&P 500 to be negative in back-to-back years. In fact, according to a Carson Group study, the S&P 500 has been up 15% on average after a negative year and ended higher 80% of the time. Even though it is rare, we cannot rule out the possibility of it occurring this year. However, we do not believe that to be the case this time around.

S&P 500 Annual Returns: 1928-2022

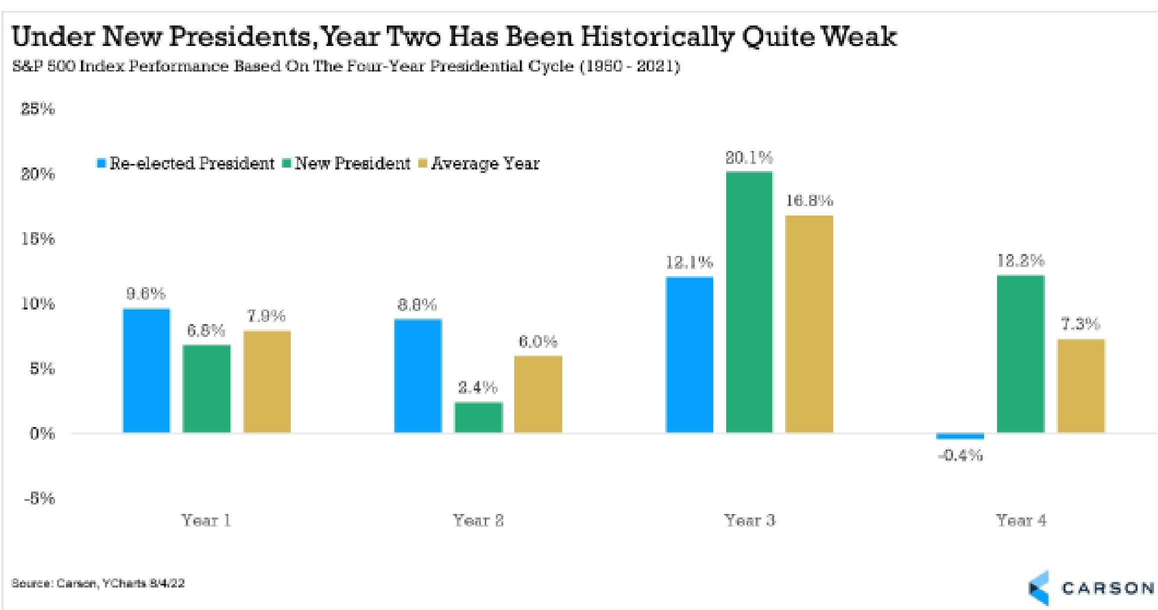
1928	43.81%	1952	18.15%	1976	23.83%	2000	-9.03%
1929	-8.30%	1953	-1.21%	1977	-6.98%	2001	-11.85%
1930	-25.12%	1954	52.56%	1978	6.51%	2002	-21.97%
1931	-43.84%	1955	32.60%	1979	18.52%	2003	28.36%
1932	-8.64%	1956	7.44%	1980	31.74%	2004	10.74%
1933	49.98%	1957	-10.46%	1981	-4.70%	2005	4.83%
1934	-1.19%	1958	43.72%	1982	20.42%	2006	15.61%
1935	46.74%	1959	12.06%	1983	22.34%	2007	5.48%
1936	31.94%	1960	0.34%	1984	6.15%	2008	-36.55%
1937	-35.34%	1961	26.64%	1985	31.24%	2009	25.94%
1938	29.28%	1962	-8.81%	1986	18.49%	2010	14.82%
1939	-1.10%	1963	22.61%	1987	5.81%	2011	2.10%
1940	-10.67%	1964	16.42%	1988	16.54%	2012	15.89%
1941	-12.77%	1965	12.40%	1989	31.48%	2013	32.15%
1942	19.17%	1966	-9.97%	1990	-3.06%	2014	13.52%
1943	25.06%	1967	23.80%	1991	30.23%	2015	1.38%
1944	19.03%	1968	10.81%	1992	7.49%	2016	11.77%
1945	35.82%	1969	-8.24%	1993	9.97%	2017	21.61%
1946	-8.43%	1970	3.56%	1994	1.33%	2018	-4.23%
1947	5.20%	1971	14.22%	1995	37.20%	2019	31.22%
1948	5.70%	1972	18.76%	1996	22.68%	2020	18.01%
1949	18.30%	1973	-14.31%	1997	33.10%	2021	28.47%
1950	30.81%	1974	-25.90%	1998	28.34%	2022	-13.80%
1951	23.68%	1975	37.00%	1999	20.89%		

Source: NYU

2022 Returns as of 12/13/2022

Pre-Election Year

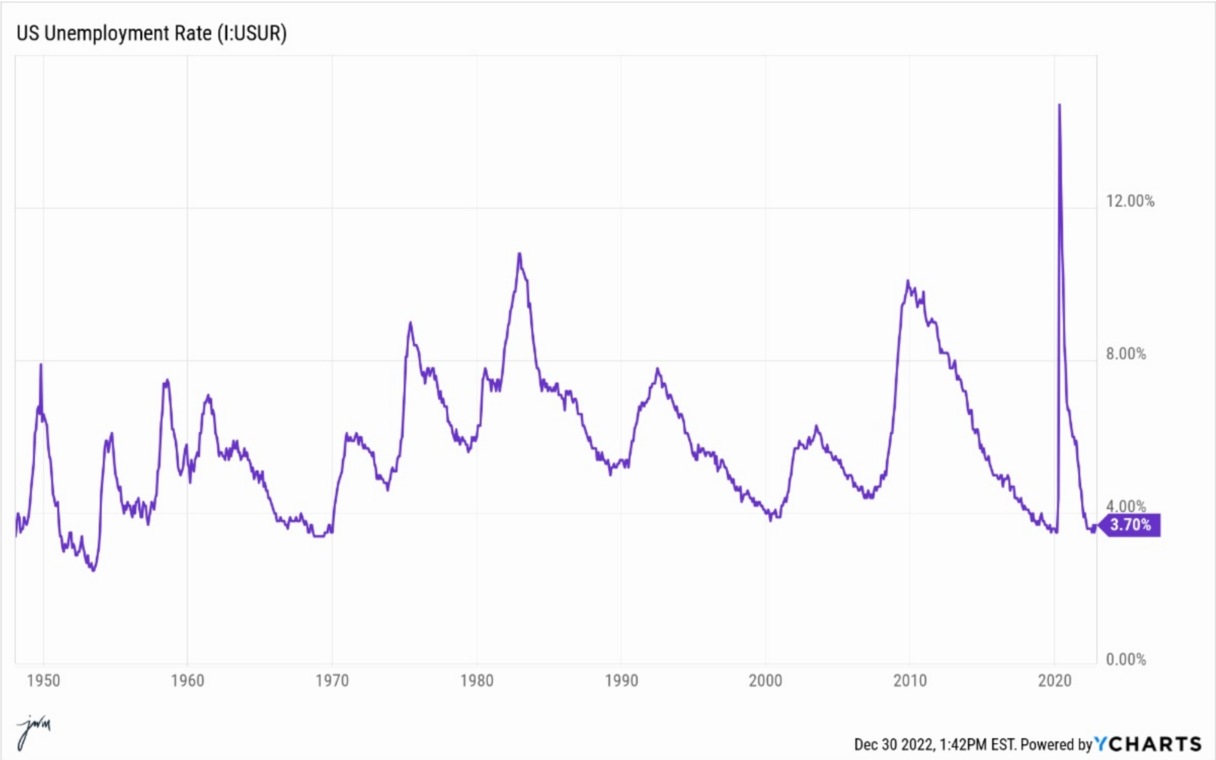
2023 is a "pre-election year". The next Presidential Election will take place in November of 2024. Looking back at history, the S&P 500 tends to fare pretty well in pre-election years.



Strong American Consumer

The American consumer was quite resilient throughout 2022. With inflation raging and the Federal Reserve raising interest rates, one would expect those two themes to sour consumer demand. To much surprise, it did not during the 2022 calendar year. The US economy is dependent on consumer spending and so far, it has held up better than most had expected.

A major contributing factor to strong spending has been the resilient job market. The unemployment rate has continued to hover in the range of 3.5% - 3.7%. We will most likely see an uptick in unemployment this year due to the Fed's rate hike policy as their decisions have a lagging effect on the labor market.



To wrap up, we believe 2023 will be a more productive year for investors. There is extreme pessimism baked into the market from 2022 and we continue to be of the opinion that most of the damage has been done to the stock market. In the first half of 2023, I would expect to see worsening economic data (i.e. increased unemployment, margin compression). However, we have to remember that the market is forwarding looking and has priced in a lot of the negative sentiment in the economy.

Everyone and their mother is expecting a recession sometime in 2023. While this is the base case, if we don't get a recession, look out above for stock prices.

As always, don't hesitate to reach out to our team with any questions you may have.

Along with the JWM team, I hope you and your family have a very Happy New Year!

Regards,

Mark McEvily

Chief Investment Officer

Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is not indicative of future results.

Join us for a LIVE and Interactive

Market Update on Zoom

Mark McEvily will be hosting a zoom video conference for JWM clients and prospects the evening of January 11th. During this meeting, you will receive a brief market update. The conversation will then be opened up for Q&A. We will provide answers to any questions you may have regarding various topics we have discussed in the recent market updates and current events/news happening in our world today.

Important details to note:

- The maximum capacity of this zoom meeting is 100 participants.
- REGISTRATION is REQUIRED. Please pre-register now to secure your spot. (Link to register below)
- To stay organized and efficient, all participants will be automatically muted upon entry. During the Q&A we will walk you through how to unmute your microphone and ask your question(s) out loud.

Registration:

When: **Wednesday, January 11, 2023, 05:30 PM** Eastern Time (US and Canada)

Register in advance for this meeting:

https://us02web.zoom.us/meeting/register/tZcvceygqjwpHNNEQb7RAhOC8a8HfdHEJIud

After registering, you will receive a confirmation email containing information and links necessary to joining the meeting when the time comes. Keep this email somewhere safe so that you can easily reference it.

Password:

If Zoom prompts you to enter a password, before entering the meeting, input the following: **JWM**

We look forward to speaking with you soon!

The Jessup Wealth Management Team

Our weekly Podcast covers investor questions! We would encourage you to subscribe!

“The Independent Advisors” podcast produced by Mark McEvily, Matt Jessup and Jenna Rittenhouse focuses on investing and financial planning. You will hear tips, tricks and strategies to address your financial well-being and most importantly, conveyed in a way that everyone can understand.

The podcast is available through Apple Podcasts (iTunes), Amazon Music (just ask Alexa to "play the Independent Advisors podcast"), Spotify, Breaker, Stitcher, IHeartRadio & YouTube. There is a tab on our website (www.jessupwealthmanagement.com) dedicated to the podcast where you will be able to find links to every episode. You can also subscribe by email at www.blubrry.com/the_independent_advisors/

We are taking listener questions! Email, inquiries@jessupwealthmanagement.com, for anything you want us to explain, debate or highlight in our weekly podcasts!

Special Holiday Hours

- Our office will be closing early on Friday, Jan 13th. We will be in the office from 9:00 am to 12:00 pm. From 12:00 pm to 4:00 pm, you can reach us remotely via our office phone.

- Our office will be closed Monday, Jan 16th, for the Martin Luther King Jr. Holiday

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Our growth allows us to advise more clients!

We have added amazing new hires to the team and are even increasing our physical office footprint! This growth equips JWM with all the tools to allow us to advise more clients, while maintaining the premium quality of service we pride ourselves on! We would greatly appreciate your client referrals. Let us care for those you care about!

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