JESSUP WEALTH MANAGEMENT

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Market Update

Stocks sold off for the second month in a row, ending the third quarter on a sour note. The S&P 500 has now been negative for three consecutive quarters. Below are the September returns for popular benchmarks that investors track (Data provided by Y-Charts & Commonwealth Financial Network):

- S&P 500 Index: -9.3%
- Dow Jones Industrial Average: -8.8%
- Nasdaq Composite Index: -10.5%
- Russell 2000 Index: -10.1%
- S&P Target Risk Moderate Index: -6.07%

The Federal Reserve hiked rates again by 0.75% to thwart the inflation consumers have experienced the entire year. Even though the data shows that inflation is beginning to decelerate, the Fed has been consistent in its plan to continue hiking rates through the end of the year.

The headlines in the news are bad, and we believe they will continue to get worse. However, we must remember that the economy is not the stock market, and the stock market is not the economy. The economic data that is being released now and the data that will be released in the next several months is not a representation of what will occur. It is a representation of the past. The stock market is a discounting mechanism, which means that it is forward-looking. I am not advocating that we ignore hard times. Many areas of the economy are the worst they have been in some time. However, I am aware that the stock market has always weathered tough times and has succeeded in recovering.

It is human nature to want to take action to stop the bleeding during difficult times. But, from our experience, investors' most expensive error is leaving the boat in the middle of a storm. The storm will end, and sunny days are ahead of us.

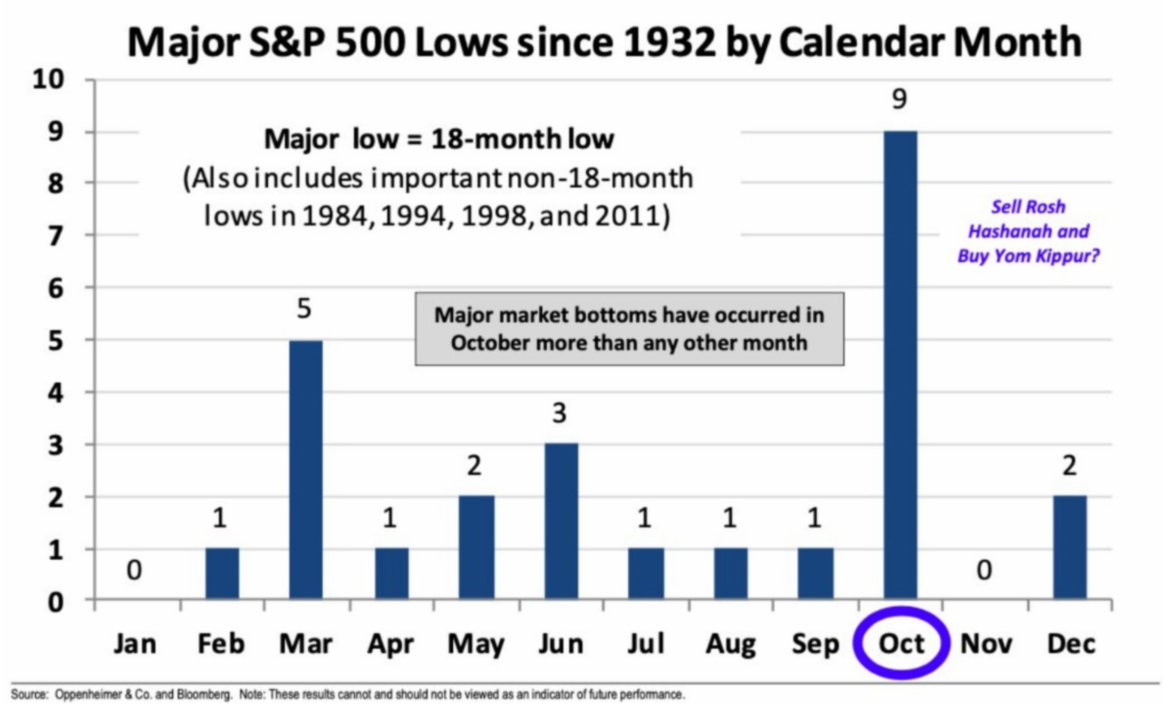
Looking back at history, the stock market tends to bottom and recover before the headlines and the economy get any better. We do not see how this environment will be any different. As always, no one knows what will happen in the markets over the next few weeks or months, but we do know that being a long term investor has rewarded those who are patient.

As we have mentioned in our last few market updates (click here to reference), we do know that investors will have the wind at their backs in Q4 of this year and the first half of next year on a seasonal basis. Still, we must be prepared for more volatility over the short term. Like any other tool we use, seasonality does not work 100% of the time. The future will never play out exactly like the past, but I believe it is essential to be aware of what the data tells us.

Below are a few data points that aid our optimism between now and year-end.

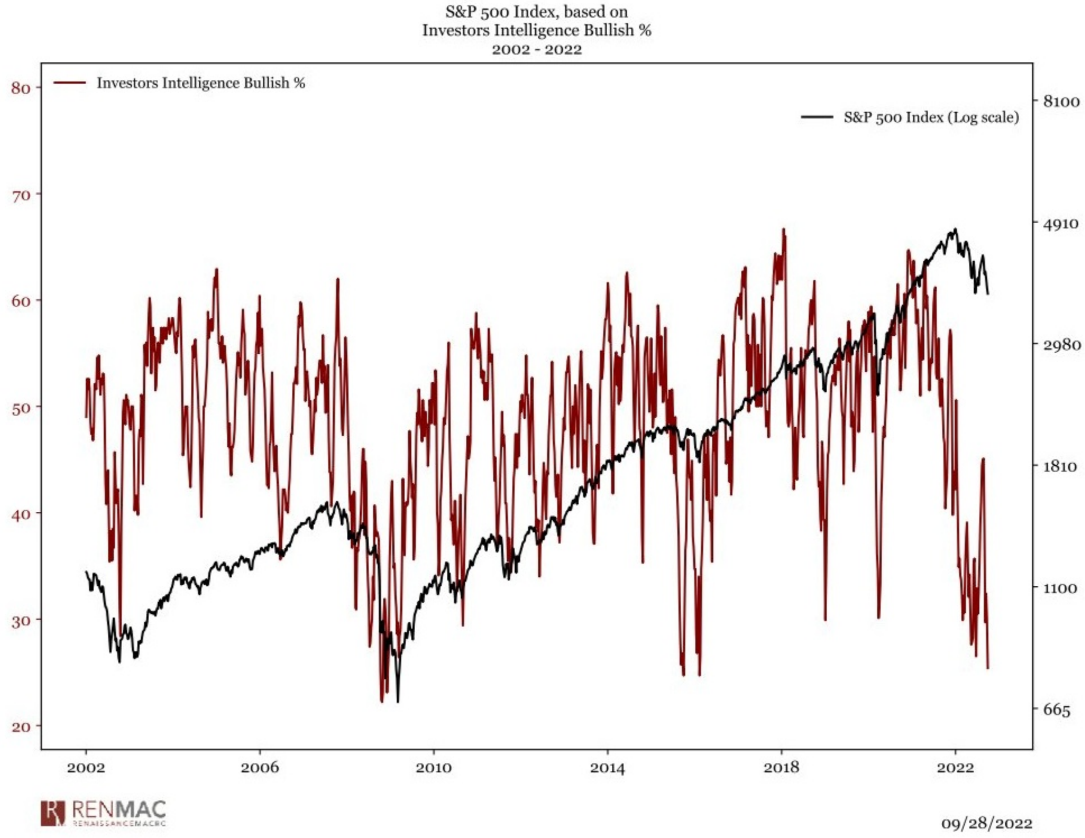
Major Market Lows

The graphic below is research from Oppenheimer and Bloomberg that adds to our thesis that we are closer to the end of the market pain than many people may think.



Historically High Pessimism

The two-week average of the AAII survey shows that investors are the least bullish they have been since 1990.



Seasonal Strength Ahead

Since 1950, during midterm election years, the Dow Jones Industrial Average has never been negative from November 1st - April 30th, with average gains of 16.8%. (Source: Stock Trader's Almanac)

BEST SIX MONTHS SWITCHING STRATEGY + TIMING

Midterm Years Since 1950

	DJIA % Change May 1-Oct 31*		DJIA % Change Nov 1-Apr 30*
1950	7.3 %		13.3 %
1954	13.5		16.3
1958	17.3		16.7
1962	– 15.3		22.4
1966	– 16.4		14.3
1970	– 1.4		20.8
1974	– 22.4		28.2
1978	– 4.5		9.3
1982	15.5		23.5
1986	– 2.8		28.2
1990	– 6.7		15.8
1994	3.7		13.1
1998	– 12.4		39.9
2002	– 25.2		6.0
2006	4.7		14.4
2010	4.6		7.3
2014	2.3		7.4
2018	5.0		5.2
2022	– 11.2	*As of 9/20/2022 close. Not in totals*	
Average	**– 1.8 %**		**16.8 %**
# Up	**9**		**18**
# Down	**9**		**0**

Our market outlook has not changed. We are extremely optimistic looking out over the next several years. We do not feel this is the time to make drastic portfolio changes based on short-term market developments.

As always, please contact our team with any questions you may have.

Regards,

Mark McEvily

Chief Investment Officer

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Financial Planning Topic of the Month

By: Taylor Ledbetter

Using Financial Ratios to Assess Your Financial Health

If you want to evaluate your personal financial position, you can use financial ratios to assess your financial health. They can show you a snapshot of your financial well-being using different values concerning your money. Knowing these formulas give you a bigger financial picture and help you make important decisions about how to utilize your money properly.

First, we have the Emergency Fund Ratio. An emergency fund is the cash you keep on hand to pay for unexpected expenses. If you want to find out how much should be saved in your emergency fund, simply multiply your monthly expenses by six. You will want to add up your essential monthly expenses, or, in other words, the minimum amount of money you need to live for one month. The goal is to have anywhere between three and six months of living expenses saved in your emergency fund.

Second, we have the Housing-to-Income Ratio. This ratio will tell you how much you can afford to spend on your home. You divide your monthly housing costs by your gross monthly income. Housing costs include monthly mortgage payments, property taxes, insurance, and utilities. The goal is for this ratio to be 28% or less. The lower this number, the more affordable your housing costs are and the more income you have for other financial goals.

Third, we have the Debt-to-Income Ratio. This is used to determine what percentage of income is being used to repay debts. You divide your monthly debt payments by monthly gross income. To calculate your debt payments, you want to include credit card, student loan, and other consumer debt. Generally, you want this number to be 36% or less. This is a great tool to use because it will tell you your financial health and can help you rethink your situation.

Fourth, we have the Savings Ratio. Your savings rate is expressed as what percent of your gross income you are putting away for the future, including retirement and other shorter-term goals. You simply take your annual savings and divide by annual gross income. You will add up annual savings to retirement accounts, including 401(k)s, traditional and Roth IRAs and taxable accounts for retirement. Do not include your emergency fund or college savings accounts. You want to aim for a savings rate of 10% to 20%.

Last, we have the 50/30/20 Budget Ratio. This can help you manage your budget regardless of your income. Essential needs are the largest allocation at 50% of your monthly take-home income. These bills include mortgage or rent, utilities, health insurance, and groceries. Discretionary spending should be kept at no more than 30% of your monthly take-home income. These expenses include dining out, travel, clothing, and entertainment. The remaining 20% should be used for saving for future financial goals. This includes retirement savings, saving for a house, tuition, and saving to pay down debt. The key takeaway is that personal financial rations give you a clear snapshot of your financial health in many different areas. Rather than making a best guess, these ratios can give you an edge in your analysis. These calculations help you discover if changes need to be made to improve your money management and future planning decisions.

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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