Market Insights

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October 2022

Balancing act for stocks and bonds

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60/40 Portfolio: S&P 500/US 10-Year Treasury (Total Returns, 1928 - 2022)

Year	Return	Year	Return	Year	Return	Year	Return	Year	Return
1928	26.6%	1947	3.5%	1966	-4.8%	1985	29.0%	2004	8.2%
1929	-3.3%	1948	4.2%	1967	13.6%	1986	20.8%	2005	4.0%
1930	-13.3%	1949	12.8%	1968	7.8%	1987	1.5%	2006	10.2%
1931	-27.3%	1950	18.7%	1969	-7.0%	1988	13.2%	2007	7.4%
1932	-1.7%	1951	14.1%	1970	8.8%	1989	26.0%	2008	-13.9%
1933	30.7%	1952	11.8%	1971	12.4%	1990	0.7%	2009	11.1%
1934	2.5%	1953	0.9%	1972	12.4%	1991	24.1%	2010	12.3%
1935	29.8%	1954	32.9%	1973	-7.1%	1992	8.2%	2011	7.7%
1936	21.2%	1955	19.0%	1974	-14.7%	1993	11.7%	2012	10.7%
1937	-20.7%	1956	3.6%	1975	23.6%	1994	-2.4%	2013	15.6%
1938	19.3%	1957	-3.6%	1976	20.7%	1995	31.7%	2014	12.4%
1939	1.1%	1958	25.4%	1977	-3.7%	1996	14.2%	2015	1.3%
1940	-4.2%	1959	6.2%	1978	3.6%	1997	23.8%	2016	7.3%
1941	-8.5%	1960	4.9%	1979	11.4%	1998	23.0%	2017	14.1%
1942	12.4%	1961	16.8%	1980	17.8%	1999	9.2%	2018	-2.5%
1943	16.0%	1962	-3.0%	1981	0.5%	2000	1.2%	2019	22.6%
1944	12.4%	1963	14.2%	1982	25.4%	2001	-4.9%	2020	15.3%
1945	23.0%	1964	11.3%	1983	14.7%	2002	-7.1%	2021	15.3%
1946	-3.8%	1965	7.7%	1984	9.2%	2003	17.2%	2022*	-19.3%

COMPOUND *As of 9/23/22 @CharlieBilello

As bonds have fallen into bear market territory, the classic 60/40 balanced portfolio is on track for its worst performance since 1931, while only experiencing negative double-digit returns in 5 other years since 1929- reflecting the unusual, and infrequent occurrence of this happening. On a more positive note, historically roughly 80% of years since 1928 produce positive returns.

Bears do need to hibernate

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When the S&P 500 is Down 25% or Worse Since 1950

Peak	Trough	% Decline	+1 Year	+3 Years	+5 Years	+10 Years
12/12/1961	6/26/1962	-28.0%	31.2%	69.2%	94.8%	171.1%
11/29/1968	5/26/1970	-36.1%	32.2%	44.3%	27.9%	97.5%
1/11/1973	10/3/1974	-48.2%	1.4%	23.8%	42.0%	188.4%
11/28/1980	8/12/1982	-27.1%	43.9%	81.2%	238.6%	403.9%
8/25/1987	12/4/1987	-33.5%	14.7%	34.1%	96.8%	387.1%
3/24/2000	10/9/2002	-49.1%	0.2%	1.9%	21.5%	38.3%
10/9/2007	3/9/2009	-56.8%	-6.9%	3.7%	61.2%	209.6%
2/19/2020	3/23/2020	-33.9%	56.4%	???	???	???
1/3/2022	9/30/2022	-25.2%	???	???	???	???
Averages		**-37.6%**	**21.6%**	**36.9%**	**83.3%**	**213.7%**

Data: Ycharts

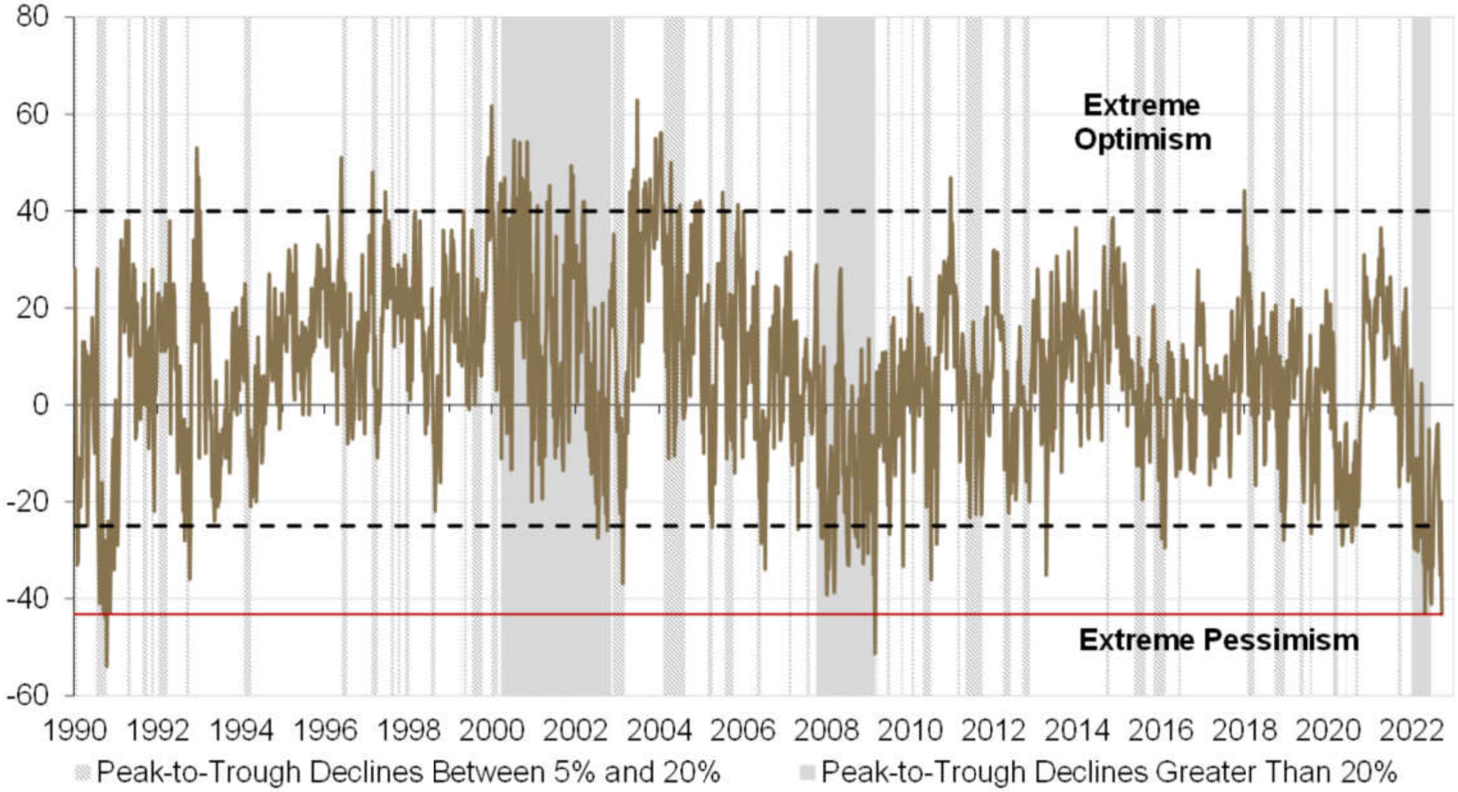
When the Nasdaq is Down 30% or Worse Since 1971

Peak	Trough	% Decline	+1 Year	+3 Years	+5 Years	+10 Years
1/11/1973	10/3/1974	-59.9%	29.1%	80.2%	170.6%	438.7%
6/24/1983	7/25/1984	-31.5%	25.6%	87.1%	99.6%	246.0%
8/26/1987	10/28/1987	-35.9%	20.7%	8.5%	104.5%	454.8%
10/9/1989	10/16/1990	-33.0%	67.1%	144.8%	230.1%	992.4%
3/10/2000	10/9/2002	-77.9%	-44.7%	-60.8%	-48.1%	-32.9%
10/31/2007	3/9/2009	-55.6%	-1.2%	14.5%	85.2%	318.7%
2/19/2020	3/23/2020	-30.1%	73.4%	???	???	???
1/3/2022	9/30/2022	-34.1%	???	???	???	???
Averages		**-44.8%**	**24.3%**	**45.7%**	**107.0%**	**403.0%**

Data: Ycharts

While the market has experienced a significant downturn year to date, its important to keep the longer-term horizon in mind. Returns for the S&P and Nasdaq have almost unanimously been positive on a 1 thru 10-year outlook with 10+ year returns being very attractive.

Sentimental extremes



Retail investor-focused survey show the highest share of bearish to bullish viewpoints since Feb 2009, and the biggest % point gap since the week of March 2009- near the bottom of the Great Recession. Systemically, the market is in a much healthier state, which seems to lead to potential recency bias of the investor base comparing an old foe, inflation, to newer phenomenon's experienced in 2008 and 2020

Source: Guardian Capital based on data from American Association of Individual Investors, to September 22,

Bursting stay-at-home bubble

More than 100 Stay-At-Home bubble companies have admitted they're struggling – and their stocks sure are. This is an important reminder to know the stocks and their businesses in one's portfolio, with names that have the durable demand of their services and products poised to grow over the long-term.

Source: Piper Sandler Company, 9/3/22

Perspective is Key

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Bob Farrell's Market Rules to Remember

1. **Markets tend to return to the mean over time.**
2. **Excesses in one direction will lead to an opposite excess in the other direction**
3. **There are no new eras- excesses are never permanent.**
4. **Exponential rising and failing markets usually go further than you think.**
5. **The public buys the most at the top and the least at the bottom.**
6. **Fear and greed are stronger than long-term resolve.**
7. **Markets are strongest when they are broad and weakest when they narrow.**
8. **Bear markets have 3 stages: 1) sharp down; 2) reflexive rebound; and 3) a drawn-out fundamental downtrend.**
9. **When all the experts and forecasts agree, something else is going to happen**
10. **Bull markets are more fun than bear markets.**

It was once said that 'Patience is the companion of wisdom', and Bob Farrell who was the chief stock market analyst and senior investment advisor at Merrill Lynch, where he worked for 45 years, provides us with a few wise market rules that in turbulent times are worth remembering.

Source: Wall Street Legend Bob Farrell's 10 rules for investing (cnbc.com)

Disclosure

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