Pittenger & Anderson, Inc.
REGISTERED INVESTMENT ADVISOR

The P&A Blog

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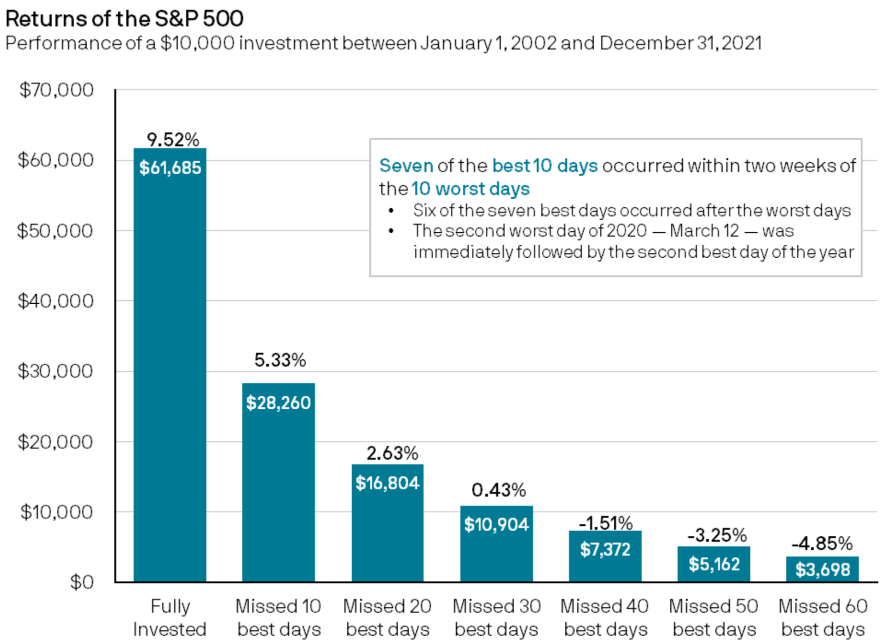
October Market Recap

By Dan Frost

The Dow Jones Industrial Average rallied by over 14% in the month of October. It was the best month for the index since January of 1976 and the fourth best monthly return for the Dow going back to the mid-1960s.

We've referred to the chart before, but the last month was another excellent reminder of the reason why we do not recommend timing the markets. Missing only a few days can impact long-term returns in a considerable fashion and often times the best days cluster around the worst.

Impact of being out of the market



Plan to stay invested

Losses hurt more than gains feel good. Market lows can result in emotional decision making.

Taking "control" by selling out of the market after the worst days is likely to result in missing the best days that follow. Investing for the long term in a well-diversified portfolio can result in a better retirement outcome.

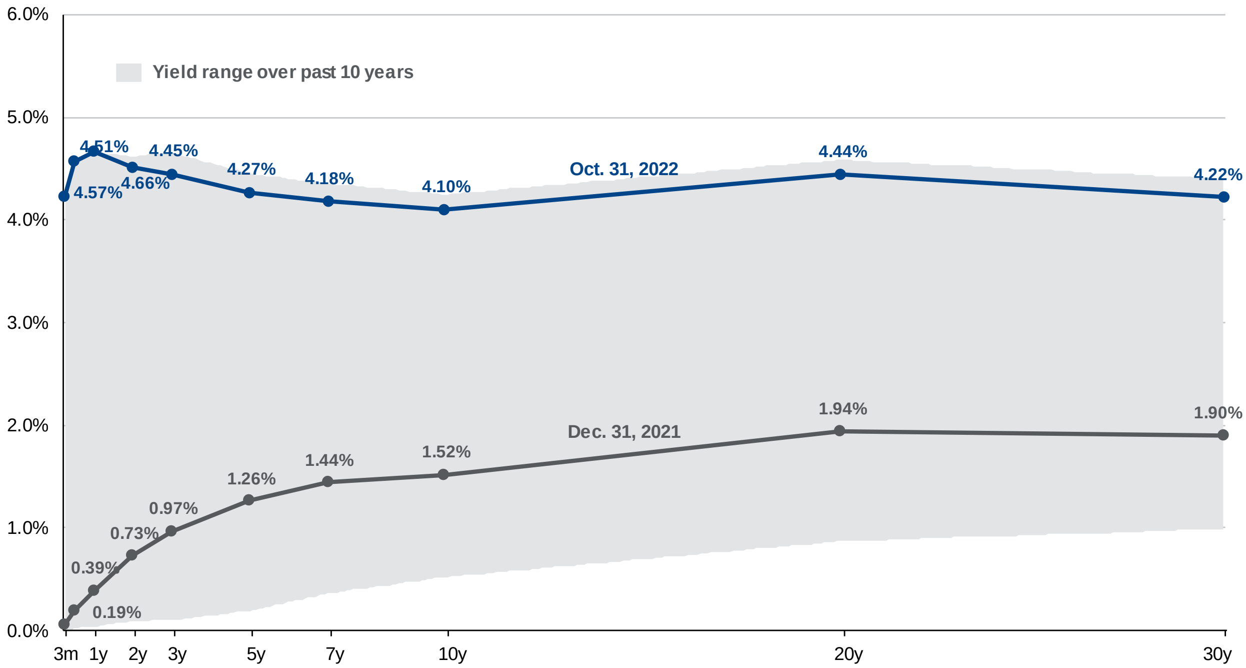
Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations are shown gross of fees. If fees were included, returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2021.

The rest of the major equity market indexes were up for the month as well with the S&P 500 returning 8.1% and mid- and small-cap stocks rising by 10% to 12%. Year-to-date, the S&P 500 is down 17.7%. The S&P MidCap 400 and SmallCap 600 are down 13.27% and 13.66%, respectively.

Foreign stocks did not fare as well, highlighting the notion that even though the USA is facing several headwinds, compared to the rest of the world our problems are perhaps less pressing. The MSCI EAFE was up 5.3% in October but remains down 25.1% so far in 2022. Emerging Markets, as measured by MSCI, were off by 3.2% during the month, bringing their year-to-date return to -31.2%.

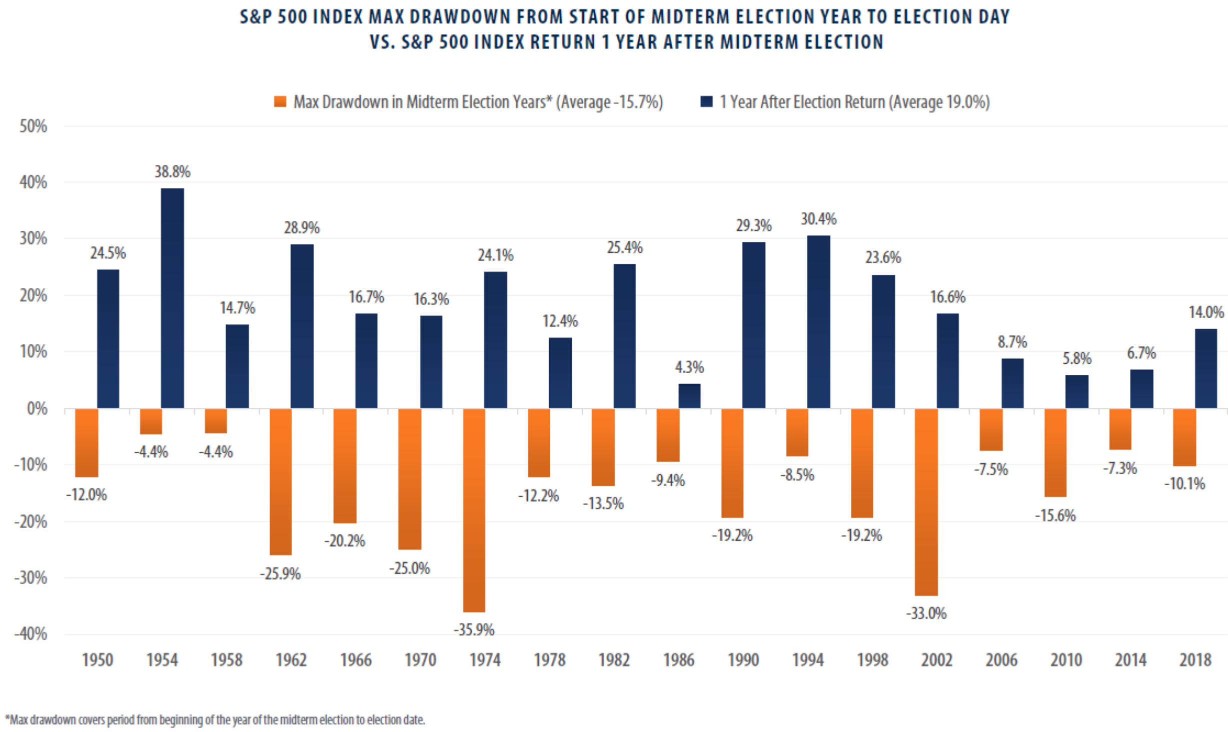
Bond yields continue to remain at or near their highest levels over the past decade. The Federal Reserve remains steadfast in their commitment to bring inflation back down to acceptable levels as evidenced by the fourth consecutive 0.75% interest rate hike in early-November. The result has been a yield curve that is extremely "flat," but with higher yields available to investors.

U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of October 31, 2022.

The market has an odd tendency to establish patterns. We fully understand that correlation does not equate to causation. Every time period has its own unique set of facts and circumstances. However, with election day finally upon us it's worth pointing out the fact that the market has never had a down year in the 12-months following a mid-term election going back to 1950. Another good reminder that even if you aren't entirely satisfied with the outcome, history is on the side of keeping politics and investing separate.



Source: First Trust Advisors L.P.

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