IGM Market Update October 27, 2022

Even with the recent turbulence in the market this year, we find that staying the course with your investment portfolio / financial plan and viewing this market as an opportunity in the long run will serve an investor well. No one enjoys seeing and experiencing a market decline such as we've seen this year yet declines bring new opportunities to take advantage of investments that can be bought at discounted sales prices.

The stock market, as measured by the S&P, reached a low for the year at the end of the quarter 9/30/22, down -23.87% for the year and -25.4% from the market high in December 2021. After a rally in July the market returned to the low level set in June 2022 (please note that no client is 100% invested in S&P 500; its reference is used to indicate market direction). This has been interpreted by some market analysts as a potential double bottom. This would mean that the worst of the decline is near or has been reached.

The leading factors for the market's decline are inflation and the Federal Reserve's action to raise interest rates rapidly as an effort to slow down the economy and the rate of inflation. This is also the reason bond prices have declined this year. In general, the higher the market interest rate, the lower the price of a bond. Due to the rapid increase in interest rates, bond prices have also declined at a high rate.

Although bond prices are currently low, the price of bonds at maturity, whether short-term or long-term bonds, will have a positive return. This is the reason why we primarily invest in individual bonds and do not buy bond mutual funds.

This decline also provides higher yields on bond interest and stock dividends. It is noted that companies in the S&P 500 hit a record in the second quarter 2022 for total dividends paid; this is an excellent sign of strength. If you are able to add new money to your portfolio, whether in lump sum or monthly recurring investments, it would work well for you in this market environment.

Important Forward-Looking Data

It is important that we take a historical perspective to understand the current market and what the future may hold. We see that when the market is down 25% or more the following years have produced positive average returns. The average 12-month return from the first time the S&P hit -25% since 1950 is a +22% gain while the average growth after a decade is more than 200%!

See table on next page.

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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

Although we cannot perfectly time or predict a market bottom, we see this current market brings an opportunity to buy quality companies at lower prices and the long-term patient investor will reap the rewards of staying the course.

Please contact us if you have any questions and/or would like to discuss taking advantage of adding new money at this time of low prices.

Sincerely,

Mike Redlick
Co-President and Chief Investment Manager

Andrew Redlick, CERTIFIED FINANCIAL PLANNER ™
Co-President

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