

February 2023
Florida Paint & Coatings
Association



**Malatino & Associates
at Morgan Stanley**

Taking Stock of the Stock Market



2022 Year In Review

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Perfect Storm

COVID Supply Chain Issues
Russia/Ukraine Conflict Further Disrupts Prices
Federal Reserve Forced Into Aggressive Action

Interest Rates

Federal Reserve Increased Interest Rates From 0% To 4.25%

Mortgage Rates

Began The Year At 2.65%, Hit A High Of 7.08%

Inflation

Reached A High Of 9.10%

2022 Returns

STOCK AND BOND RETURNS

Worst year for bonds and 7th worst for stocks

Worst years for U.S. Bonds

Since 1926, total return for each period

Year	Return	Next 12 months
2022	-13.0	?
1994	-2.9	18.5
1931	-2.3	8.8
2013	-2.0	6.0
2021	-1.5	-13.0
1958	-1.3	-0.4
1999	-0.8	11.6
1969	-0.7	16.9
1955	-0.7	-0.4
1956	-0.4	7.8
Avg.	-2.6	6.2

7th worst ever year for U.S. Stocks

Since 1926, total return for each period

Year	Return	Next 12 months
1931	-43.3	-8.2
2008	-37.0	26.5
1937	-35.0	31.1
1974	-26.5	37.2
1930	-24.9	-43.3
2002	-22.1	28.7
2022	-18.1	?
1973	-14.7	-26.5
2001	-11.9	-22.1
1941	-11.6	20.3
Avg.	-24.5	4.9

Source: Morningstar as of 12/31/22. U.S. bonds represented by the IASBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 12/31/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 12/31/22 and the IASBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

What's Happening Now

- Inflation / Interest Rates



- US Dollar



- China Reopening



Federal Reserve

The Federal Reserve has struggled to forecast their own future decisions

March 2022: Fed suggested that interest rates would end 2022 between 1.75% and 2.25%

They are currently at 4.50%



Interest Rates

What Happens When The Fed Raises Rates?

September 2021

Fed Funds Rate: 0%

1 Year Treasury Yield: 0.09%

30 Year Mortgage Rate: 3.18%

September 2022

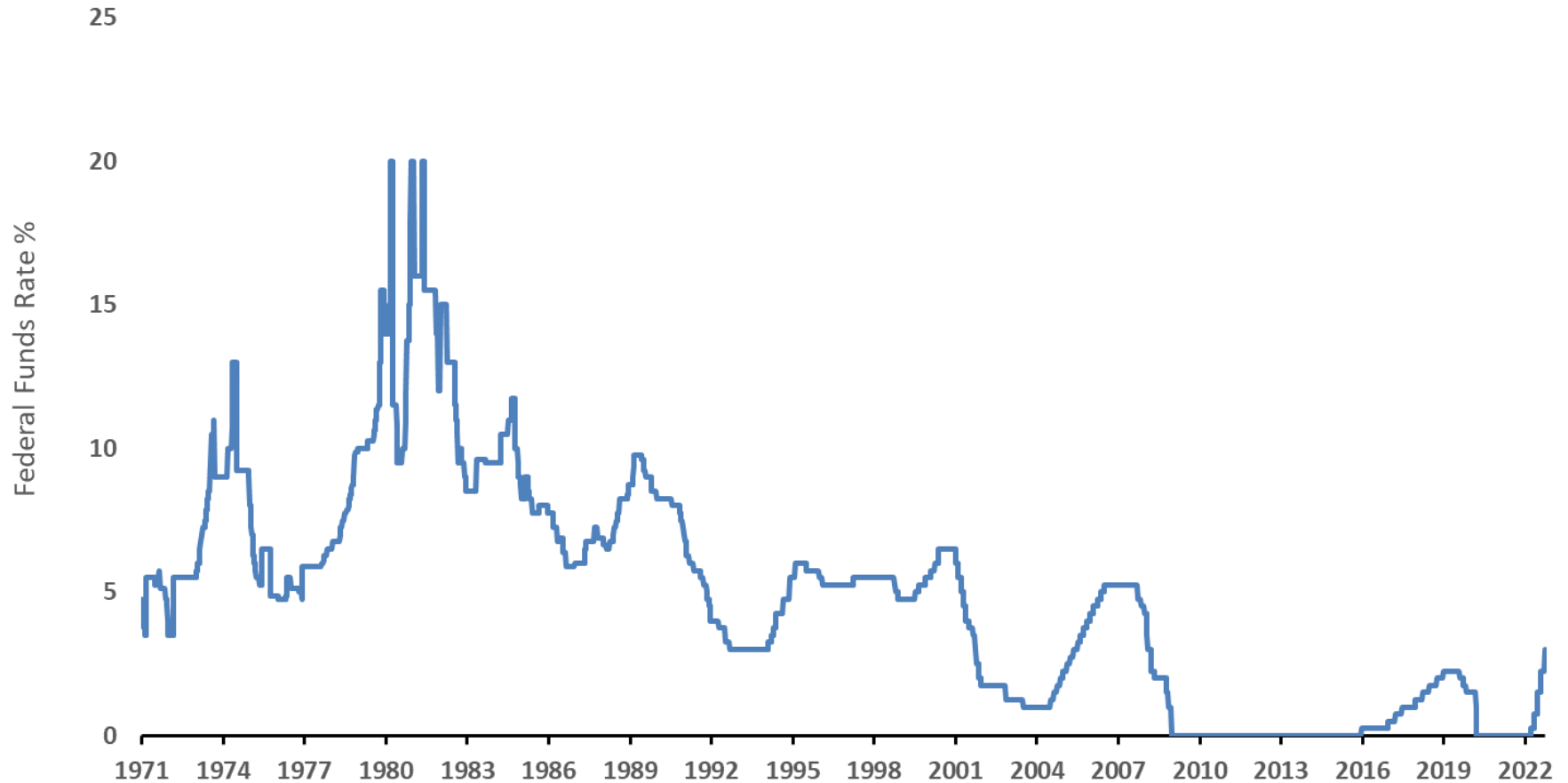
Fed Funds Rate: 3.0%

1 Year Treasury Yield: 3.90%

30 Year Mortgage Rate: 7.06%

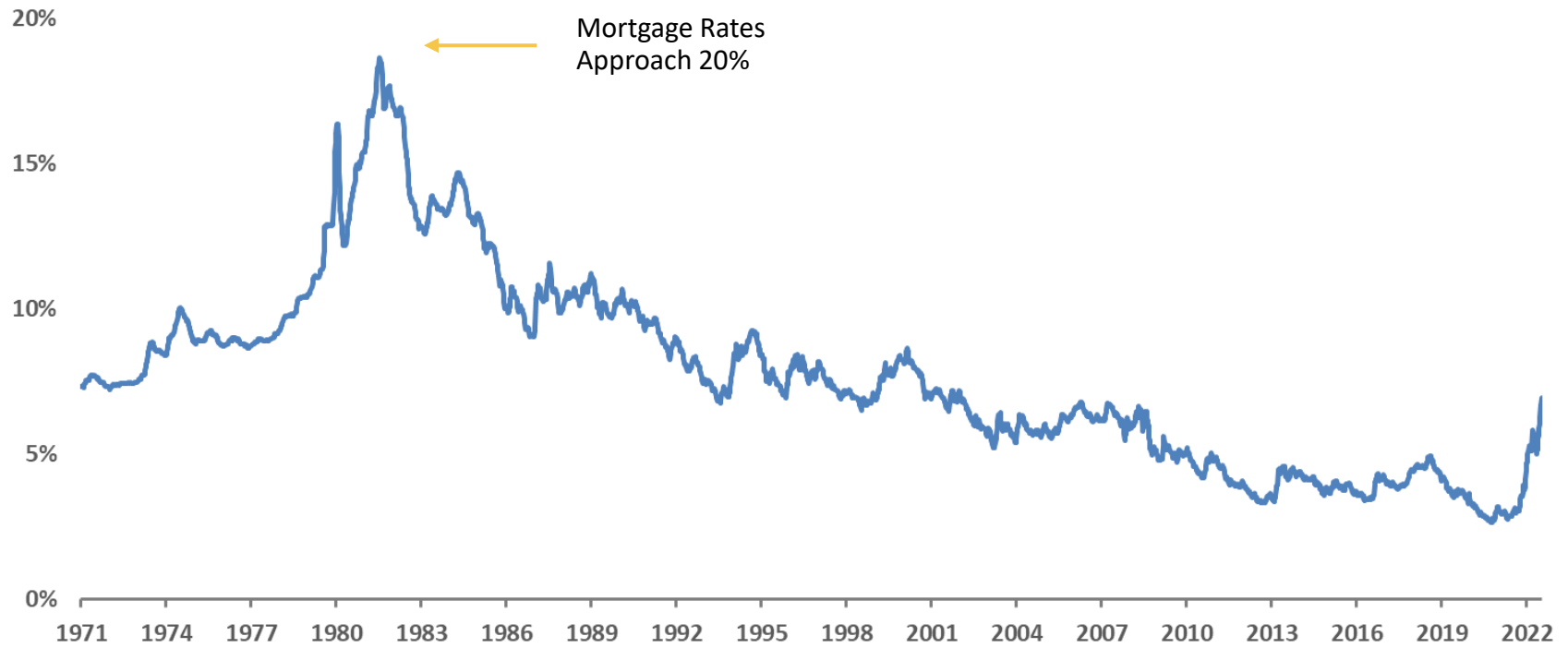


Federal Funds Rate



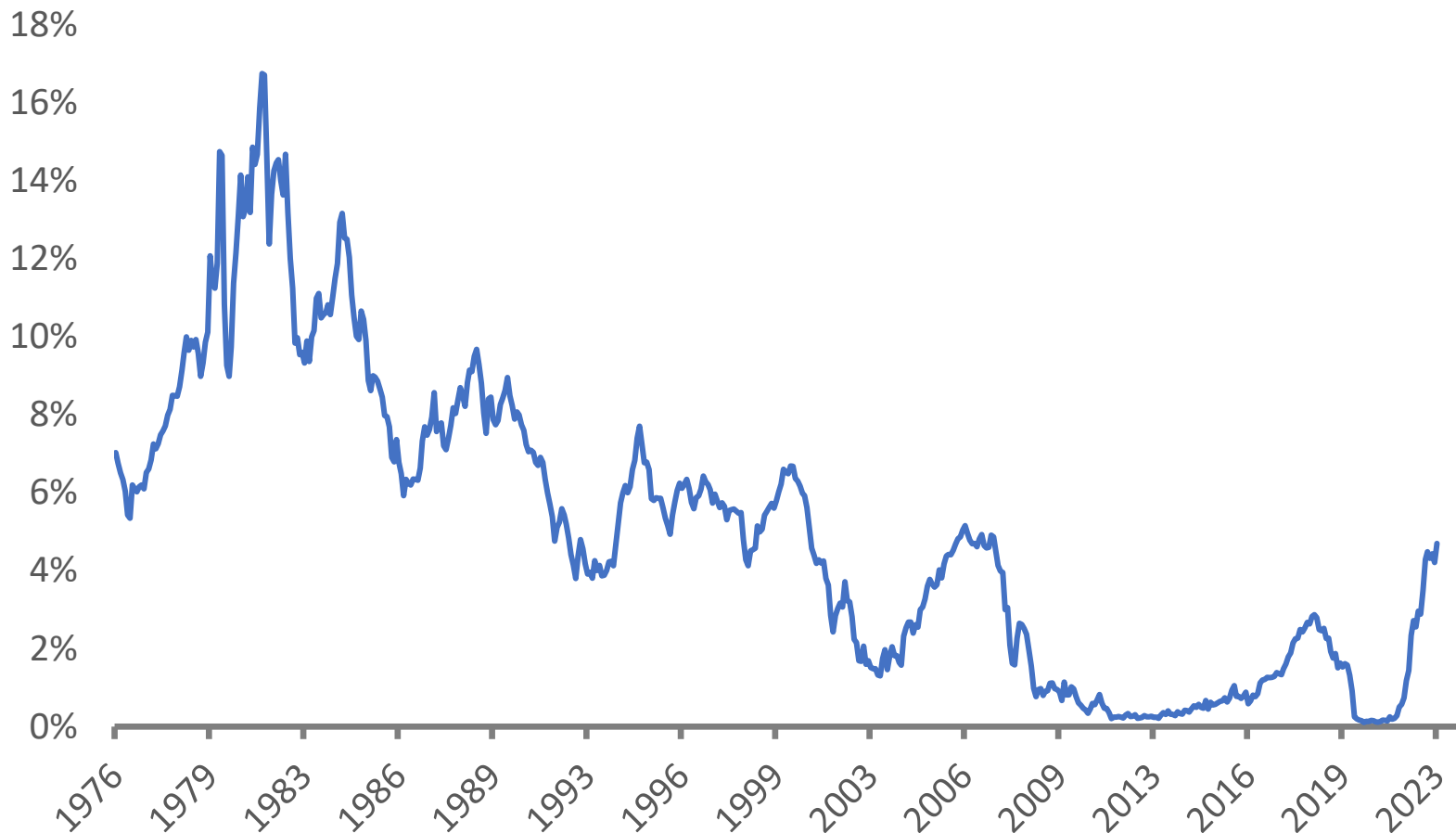
Mortgage Rates

30 Year Mortgage Rate



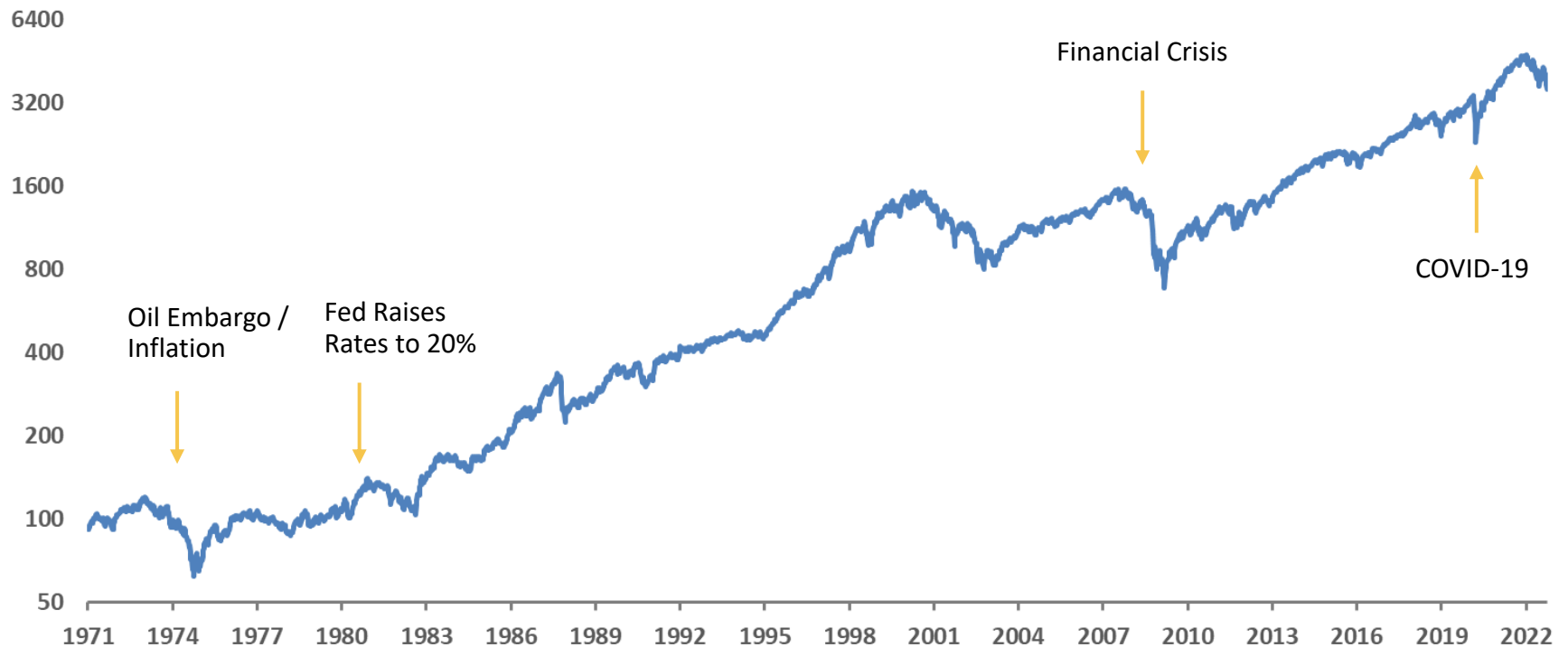
Treasury Yields

2 Year Treasury Yield



Long Term Stock Performance

S&P 500



Inflation

Inflation Rate %

Mar-21	2.60
Apr-21	4.20
May-21	5.00
Jun-21	5.40
Jul-21	5.40
Aug-21	5.30
Sep-21	5.40
Oct-21	6.20
Nov-21	6.80
Dec-21	7.00
Jan-22	7.50
Feb-22	7.90
Mar-22	8.50
Apr-22	8.30
May-22	8.60
Jun-22	9.10
Jul-22	8.50
Aug-22	8.30
Sep-22	8.20
Oct-22	7.70
Nov-22	7.10
Dec-22	6.50



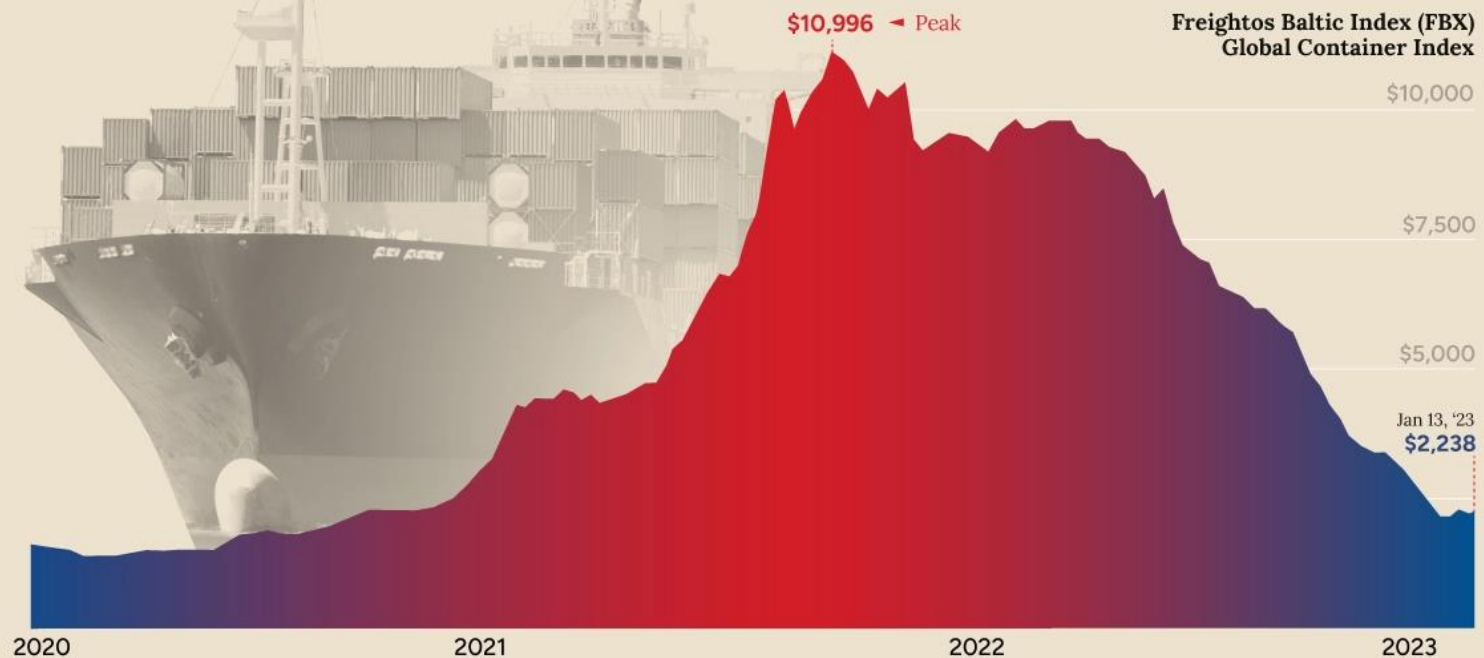
Accelerating

Decelerating

Inflation Round Trip

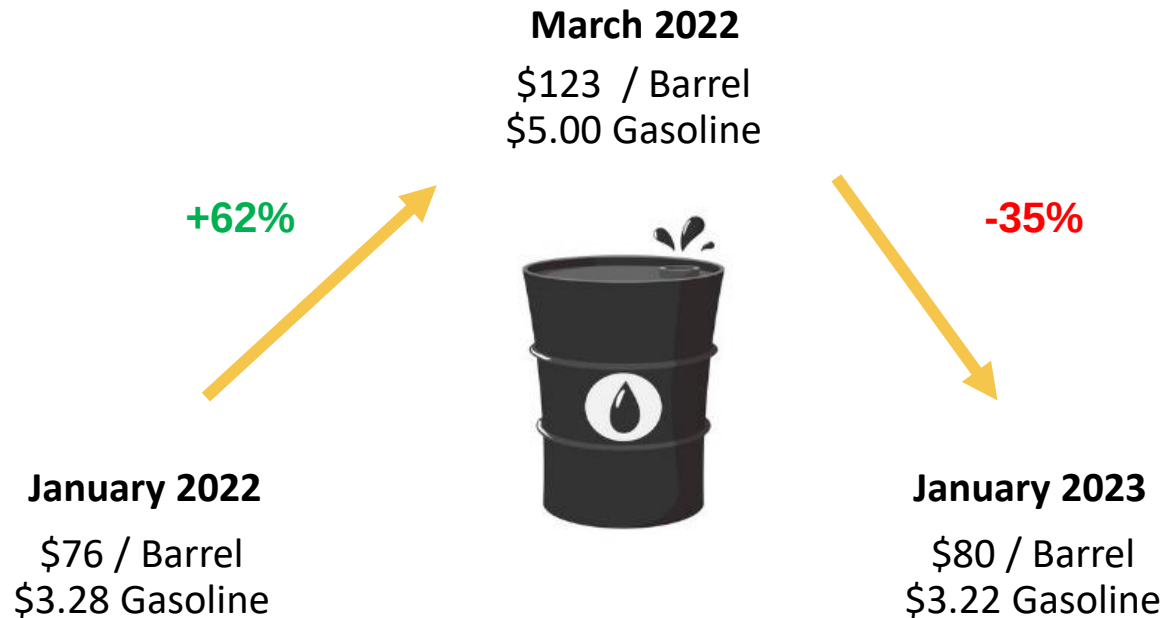
THE DIPPING COST OF SHIPPING

After a massive spike last year, container shipping costs for many routes are **finally falling** back down to pre-pandemic levels.



Inflation Round Trip

Oil & Gasoline Prices



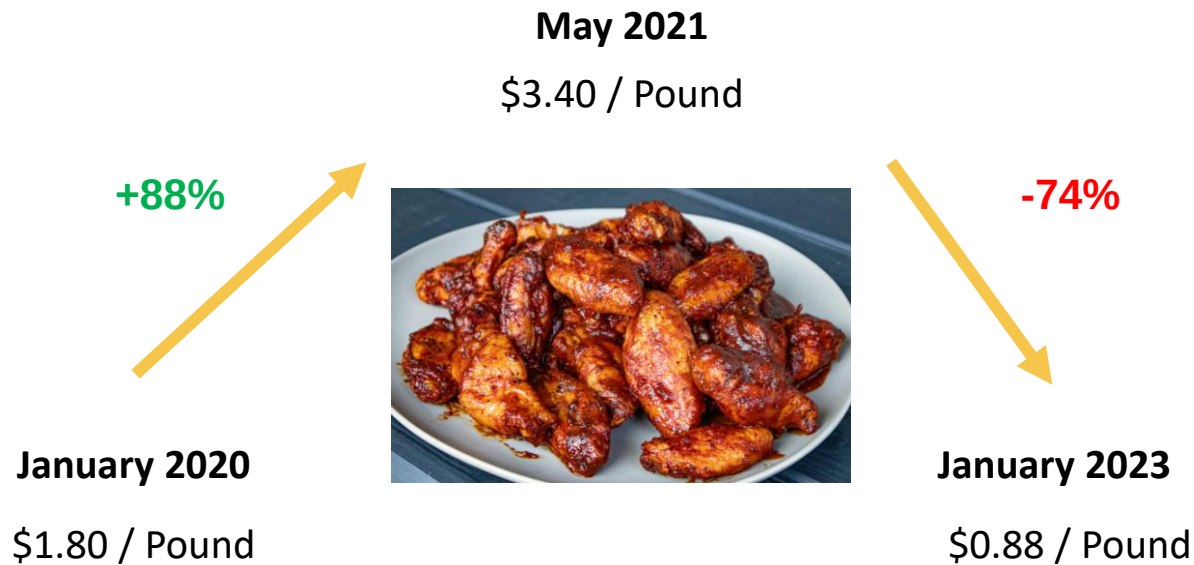
Inflation Round Trip

Wheat Prices



Inflation Round Trip

Chicken Wing Prices

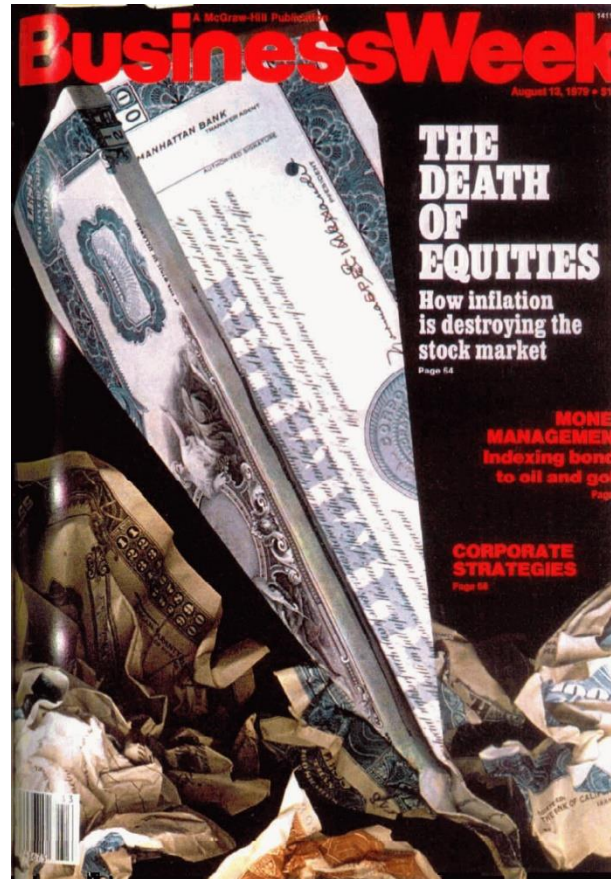


Economy In Transition

- Job openings top 11 million in December
 - U.S. adds over 500k jobs in January
 - Chipotle seeks to hire 15k workers in 2023
 - Boeing plans to hire 10k workers in 2023
- Amazon cuts 18k in largest layoff ever
 - Dell to reduce workforce by 6k
 - Microsoft is laying off 10k employees
 - Google to cut 12k workers



BusinessWeek: August 1979



Stocks Up 11,500% Since Publication

Market Factors



- China Reopening
- Labor Market
- Resilient Consumers



- Inflation / Rising Interest Rates
- Recession Risk / Consumer Confidence
- Geopolitical Uncertainty

Disclosure

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