STRATEGIC CLIENT NEWSLETTER

THIRD QUARTER 2022

THIRD QUARTER 2022

Market Performance
www.bloomberg.com

Dow Jones Industrial Average

This Quarter	-6.49%
Year-to-Date	-20.85%

S&P 500

This Quarter	-5.19%
Year-to-Date	-24.68%

Nasdaq Composite

This Quarter	-8.10%
Year-to-Date	-32.34%

Indices are unmanaged and you cannot invest directly in an index

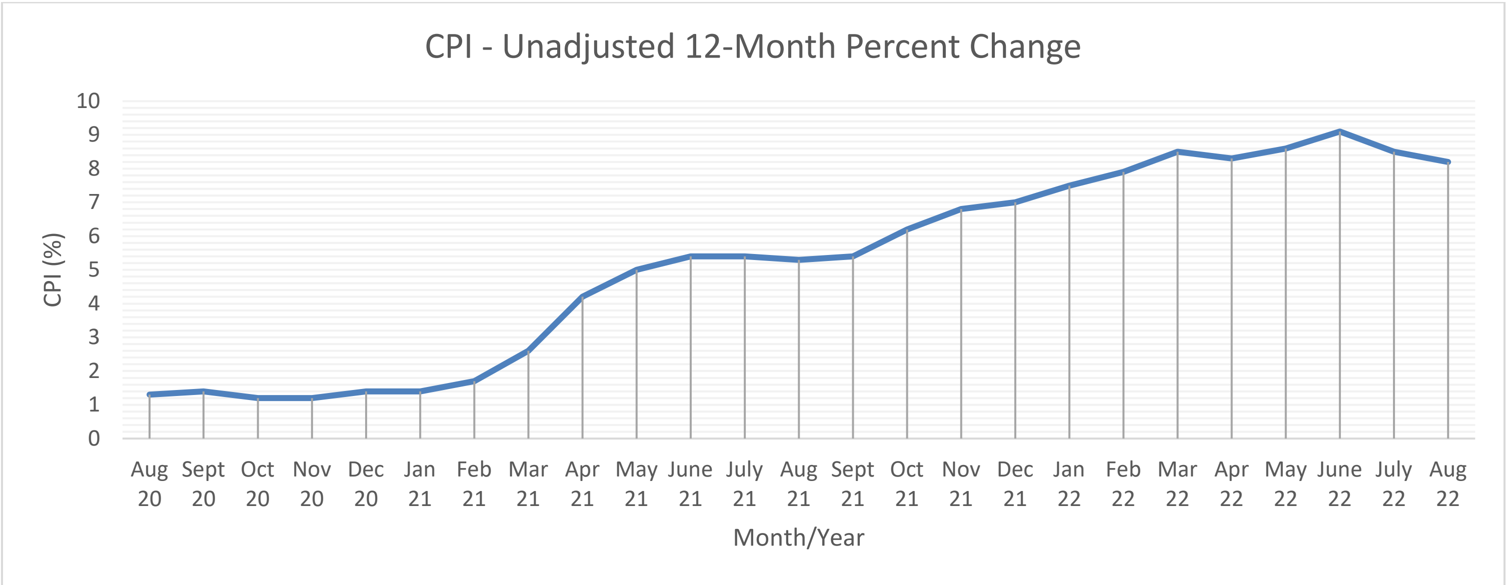
Recession and Inflation Extend Market Losses in Third Quarter

The U.S. stock and bond markets extended year-to-date losses in the third quarter of 2022 as inflation rose, interest rates climbed and prolonged recession fears remain. The S&P 500 (-24.68% YTD) and Dow Jones Industrial Average (-20.85% YTD) remained in negative territory for the year.

- Gross Domestic Product (GDP) decreased at a rate of -.6%% in the second quarter of 2022, following a decrease of -1.6% in the first quarter of 2022. The decreases in GDP for two consecutive quarters confirm the U.S. economy is in a recession, a normal part of the business cycle. *(Source: www.bea.gov)*
- The National unemployment rate levels remain low, with the following rates for June (3.6%), July (3.5%) and August (3.7%) of 2022. We believe the unemployment rate will remain low for the remainder of 2022. *(Source: www.bls.gov)*
- Nonfarm productivity decreased at a revised rate of -4.1% in the second quarter of 2022, which followed a decrease of -7.4% in the first quarter of 2022. with increases in output (8.1%) and increases in hours worked (6.0%) for the second quarter of 2021. From the second quarter of 2021 to the second quarter of 2022, nonfarm productivity decreased -2.4%, the largest decline since the first quarter of 1948. *(Source:www.bls.gov)*
- Changes in the Consumer Price Index (CPI) continued upward, increasing 1.3% in June 2022, 0.0% in July 2022 and 0.1% in August of 2022. We expect inflation to remain high for the next 18-24 months. *(Source: www.bls.gov)*
- Personal Income increased by +.2% in July of 2022, following by an increase in June 2022 of +.7%. *(Source: www.bea.gov)*
- Corporate profits (profits from current production) increased in the second quarter of 2022 by $175.2 billion, following an adjusted decrease in the first quarter of 2022 of $63.8 billion. *(Source:* www.bea.gov*)*

Inflation

The Consumer Price Index (CPI) is the most common measurement of inflation, and measures changes in prices that consumers pay for goods and services. These include food, energy, clothing shelter, doctor/dental services, drugs and other items that used in daily living. Price changes for these items are aggregated nationwide to calculate the CPI for the U.S.



Source: www.bls.gov

Looking at data for the CPI since August 2022, we've seen larger changes in 12-month CPI starting in the first quarter of 2021, as the U.S. economy began digesting the roughly $4 trillion in coronavirus stimulus packages that were not paid by any tax revenue, but in essence was created money. Based on the GDP of the United States, we believe that inflation will be around for the next 18-24 months.

Even taking out the largest cause of CPI increases in the past 24 months (food and energy), we still see an upward trend showing that base inflation is still an issue for the foreseeable future.

Market Recovery

We expect this current recession to last longer than the historical average duration of 10-months, mostly due to supply chain disruptions and an inflationary economy caused by $4.6 trillion in Covid-related government spending. We believe it will take about 18-months to absorb this spending, and are forecasting economic recovery in the third quarter of 2023 (18 months from the first quarter of 2022).

The stock market tends to be a leading economic indicator, so we expect to see stock market recovery in the first quarter of 2023.

Please call the office with any questions or concerns in the interim.

2022 Required Minimum Distributions

IRA account holders are generally required to take annual distributions from their IRA accounts after they turn 72. The RMD rules apply to all employer sponsored retirement plans (i.e. 401(k), 403(b), profit sharing plan) and all IRA-based plans (i.e. traditional, SIMPLE, SEP).

Under the SECURE Act, if you reach the age of 70 ½ in 2020 or later, RMDs won't begin for you until age 72. In addition, any IRA accounts inherited after 12/31/2019, have no Required Minimum Distributions. The full balance of the account must be distributed by the tenth year anniversary of the inheritance.

We will be reaching out to clients who haven't fulfilled their current year RMD to ensure any distributions that need to be made are completed by year end.

If you have any questions about how this may impact your retirement accounts with us, please call our office.

Annual Client Profile Review

On a yearly basis, we like to review any updates to clients' risk tolerance profiles. Please contact our office to review or to make any updates to the following:

Time Horizon – *This measures the expected years you plan to invest your financial goals*

Short Term (0-5 years) ______
Intermediate Term (5-10 years) ______
Long Term (10+ years) ______

Liquidity Needs – *This measures the ease with which you can meet financial obligations with available assets*

None ______
Moderate ______
Significant ______

Financial Priority – *Please choose one*

Less Volatility, even if that means there is little growth potential ______
Investment income, with some growth potential ______
Some investment income, but more growth potential over the long term ______
The highest growth potential over the long term ______

PLEASE RETURN ANY CHANGES TO YOUR CLIENT PROFILE IN THE ENCLOSED ENVELOPE.

Risk Tolerance – *How would you rate your willingness to take risk?*

☐ Very Low ☐ Low ☐ Moderate ☐ High ☐ Very High

CHB Investment Group Observations

- We believe stocks have entered more fairly valued territory. We recommend value stocks over growth stocks, and believe additional selloff in the stock markets may create additional buying opportunities if P/E ratios fall under fair value pricing.
- We believe the Federal Reserve will continue to raise interest rates this year, with potentially 1-2 more increases this year. We have an overweight bias towards short-term Treasury securities and inflation protected fixed income.
- We have a **negative bias** in residential and a **neutral bias** in corporate real estate, and we expect housing markets to be negatively impacted with inflation and rising market interest rates.
- We have a **neutral** bias towards corporate debt, as we continue to see interest rates rise.

This is provided for informational purposes only. We need to review your investment objectives, risk tolerance and liquidity needs before we introduce suitable managers/investment programs to you. All investing involves risk including the possible loss of principal. Mid-cap stocks are generally more volatile, subject to greater risks and are less liquid than large company stocks. There are special risks associated with an investment in real estate, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions.

For clients who would like to receive non-confidential information regarding general market conditions and CHB Investment Group updates, please send your preferred e-mail address to chris.lindenthal@chbinvestmentgroup.com

CHB Investment Group
A Limited Liability Corporation

Christopher H. Brashier
Managing Director
chb@chbinvestmentgroup.com

Debra T. Jones
Director of Client Services
debra.jones@chbinvestmentgroup.com

Christopher Lindenthal, *CFP®*
Director of Planning & Investment Analysis
chris.lindenthal@chbinvestmentgroup.com

31 North Main Street
New Hope, PA 18938
Phone: 215-862-6900
Fax: 215-862-5700
Toll Free: 855-862-6900

www.chbinvestmentgroup.com

Securities offered through Charles Schwab & Co., Inc. Member FINRA/SIPC