

A STRONG MARKET IN OCTOBER

In a reversal from last quarter's decline, all three major stock indices experienced a significant comeback in October. The S&P 500 Index rose 8%, the Nasdaq gained 4% and the Dow Jones Industrial Average surged 14% for the month. In fact, the Dow recorded its best October in performance in history.

Unlike the first nine months of the year, October saw strong daily gains. For example, in October, the S&P 500 experienced a daily decline of more than 1% only three times compared to 102 times, or over half of the trading days, for the first nine months of 2022. In a welcomed change, the market in October was up by more than 1% nine times.

With more interest rate increases by the Federal Reserve on the horizon, bond yields continued to rise. The yield on the two-year Treasury increased to 4.5% and the 10-year Treasury rose a little over 4% by the end of the month. For consumers, the rise in rates in 2022 has significantly increased mortgage rates. Currently, rates are hovering in the 7% range for a 30-year mortgage – the highest in nearly 20 years. As a result, housing sales have cooled and prices are starting to decline in many areas of the country.

On the inflation front, prices continue to rise on many items as the inflation rate remains elevated at 8.2% for the 12 months ending in September. The three largest contributors to the monthly increase were shelter, food and medical care. However, for those filling up their cars at the pumps, we did see a 4.9% decline in gasoline prices during the month.¹

Despite higher rates and higher inflation, the economy, as measured by GDP, grew at an annual rate of 2.6% in

1) U.S. Bureau of Labor Statistics, 2) Bureau of Economic Analysis, 3) U.S. Bureau of Labor Statistics, 4) Entrepreneur.com

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the third quarter of 2022. In comparison, the economy declined by 0.6% in the second quarter.² Jobs remain plentiful, as the number of job openings increased to 10.7 million³ or, stated another way, there are approximately 2 job openings for each person looking for work.⁴

The month of October shows the resiliency of the market—not many investors would have predicted such strong results. Since no one can accurately predict the direction of the market, a key to building long-term wealth is to stay invested so you don't miss the market's rebound and usually the best days. As a helpful tip, consider dollar cost averaging, or investing a certain amount regularly, to help reduce the emotional aspect of investing and the temptation to sell at the worst times.

As we head into the final two months of 2022, rest assured that Jemma Financial is here to help you plan and accomplish your goals.

We hope that you enjoy the upcoming Thanksgiving holiday with your family and friends.



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