Greetings!

It’s fair to say that nobody is happier than investors to put Q3 2022 in the rearview mirror!

There was nowhere to hide from negative returns as global stock, real estate, and bond markets priced in a rough period ahead for the economy. While we are just beginning to see some signs of slowing in the economy, global markets have priced in the expectation of a much larger decline in corporate profits. We point this out as you will likely see more signs of the economy slowing in the 4th quarter. When you do see these headlines, remember the market is already pricing in the expectation of an economic slowdown.

While global equity markets dominate the daily news headlines, what’s happened this year in the bond market is far more significant and unprecedented. If the year ended today, the Bloomberg US Aggregate Bond Index would be down 15% and 2022 would be the single worst year for bond market investors since the index inception in 1976! In fact, in the 2nd worst year (1994) the decline was only 2.9%. The rapid rise in interest rates this year has put us in uncharted territory for bond market volatility.

The only silver lining in a year like 2022 is to remember that in the 1 and 3 years following a 20% market correction, expected returns have been higher, on average, than long-term historical returns. When prices go down, future expected returns go up.

To get an updated view of how we ended the 3rd quarter please take a few minutes to review our Quarterly Market Review here.

Finally, we’ll remind you that in your financial plan, we anticipate future market volatility like we’re experiencing in 2022. While it’s not the norm, we do expect portfolio declines like we’re experiencing this year to occur every 7-10 years, depending on the risk you’re taking. So, if you want to check on your portfolio, we recommend doing so through the lens of your financial plan. If you’ve lost your login credentials to your financial plan just let your advisor know and we’ll get you the information.

Access Your Quarterly Market Review

Your Investments

Impact of Midterm Elections on the Market

There is no question presidents, their administrations, and Congress have an impact on the economy and future direction of the nation. However, when looking at the data, it becomes clear there are significant questions about how one might predict the market's reaction to either party taking power or the changes they make.

"This graphic illustrates that election month returns were well within the typical range of returns, regardless of which party won the election. Results similarly appeared random when looking at all Congressional elections (midterm and presidential) and for annual returns (both the year of the election and the year after)."

Throughout history, great companies have adapted to changing policies and laws, compounding returns well above that of inflation for disciplined investors. This can be seen in the steady march forward of markets over the long term. Read on to see a detailed breakdown of how markets have performed both before and after past midterm elections.

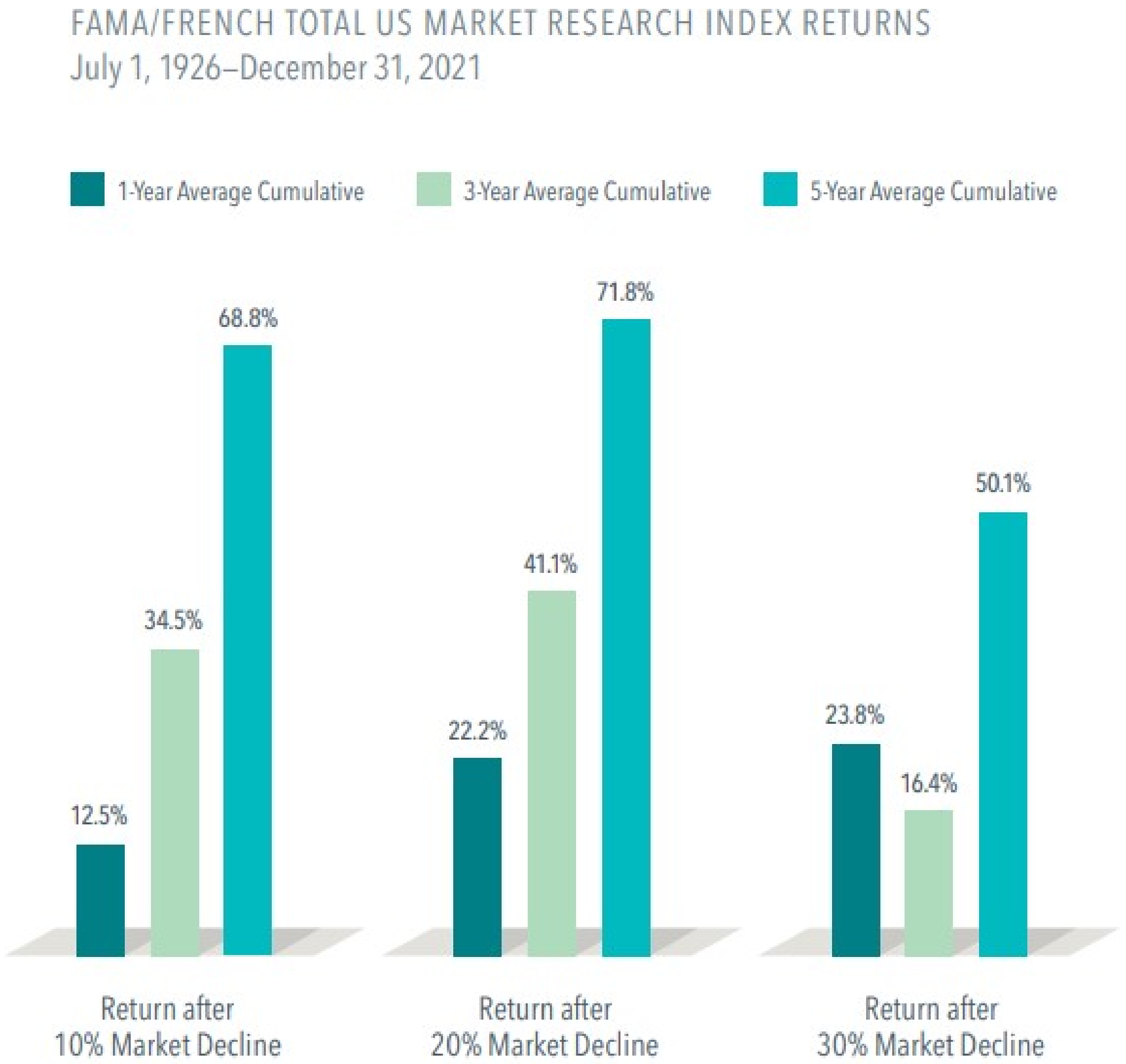
Read More

Long-Term Perspective

The Russell 3000 Index, which tracks the whole of the public U.S. stock market, reached a 2022 low of -25.48% from 1/1/2022 - 9/30/2022. This follows months of volatility in U.S. equity and fixed income markets, international and emerging markets, and real estate.

You'd be the outlier if you said you weren't a bit nervous about this year's performance and where markets will go from here. And while we can't predict what will happen tomorrow or in the coming months and years, we can look to history to provide us perspective.

We know that historically those who have been fully invested end up on top over the long term (10, 15, 20+ years). But what about in the short term following a market decline? The chart below shows the average returns subsequent a 10%, 20%, and 30% market decline. In each scenario, investors have fully recovered their losses within 5 years, and in most cases have seen significant returns above and beyond where they were before the decline.



For more details:

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Webinar Reminder

If you missed the first invite, mark your calendars for the two-part webinar series hosted by Aspen Capital Management on Social Security and Medicare. The webinars will be brief but detailed discussions answering questions such as: When do I file? How do I maximize my benefit? What mistakes or suboptimal decisions are commonly made? How will Social Security and Medicare impact my financial plan? Social Security and Medicare are two critical parts of every American's retirement plan, and we'd love to have you join to discuss these key questions.

Aspen Capital Management - Social Security Webinar

Thursday, October 20th 12:00 - 12:30pm MT

Aspen Capital Management - Medicare Webinar

Thursday, November 17th 12:00 - 12:30pm MT

RSVP Information
To RSVP for the Social Security webinar, please email brynn@aspencapitalmgmt.com to reserve your spot. More details on the event to come.

All the best,
Your Team at Aspen Capital Management

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