Dreher Investment Services, Inc.

Economic Review: 4th Quarter 2022 — January 18, 2023

Market Review: 4Q-22

Equity markets rallied during the 4th quarter (S&P 500 7.08%) but still posted one of their worst performing years since 2008 (S&P 500 -19.44%). Markets will likely remain under pressure during the new year, as continued global rescission fears loom amongst investors.

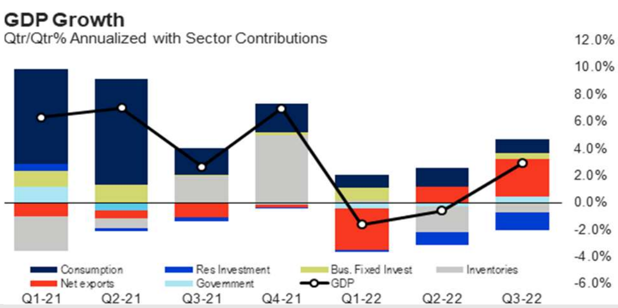
The 10-Year Treasury moved from 3.66% to 3.88% in the 4th quarter. The rapid pace of Fed hikes put interest rates under pressure, leading to one of the worst performing years in decades. The 10-Year Treasury moved over 200 basis points from 1.52% to 3.88% throughout the year.

Market Indices

Index	4Q-22	3Q-22	1-Year
S&P 500 (Large)	7.08%	(6.27%)	(19.44%)
S&P 400 (Mid)	10.29%	(4.02%)	(14.48%)
S&P 600 (Small)	8.69%	(6.46%)	(17.42%)
Barclays Aggregate (Bonds)	1.87%	(5.33%)	(13.01%)

GDP

After contracting in the first two quarters of 2022, GDP rebounded in third quarter at 3.2%. Estimates for fourth quarter are currently at a blistering 4.1%. Consumer spending continues to contribute positively to GDP growth despite a drastic decrease in savings rate. Interest rate-sensitive areas of the economy, such as real estate and automobiles, continue to deteriorate as higher rates have driven potential buyers away. Economists are projecting stagnate to slightly negative growth for the U.S economy in 2023.



Economic Indicators

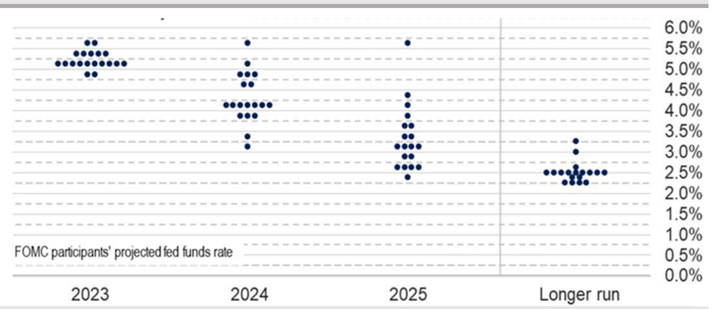
Indicator	4Q-22	3Q-22	1-Year
U.S. GDP	~4.1%	3.2%	~6.7%
Non-Farm Payrolls	742K	1.10M	4.50M
Unemployment Rate	3.5%	3.5%	3.9%
Headline Inflation	0.4%	0.5%	6.5%
Core Inflation	0.8%	1.4%	5.7%%
Corporate Earnings Y/Y	~(2.6%)	~4.4%	-
Corporate Revenues Y/Y	~4.2%	~11.7%	-
Federal Funds Upper Limit	4.50	3.25	0.25

~ Denotes Future Estimate

Federal Reserve

After four consecutive 75 basis point hikes, the Federal Reserve slowed its tightening pace to 50 basis points in December. The fed funds rate is now 4.50%. These unprecedented rate hikes seem to be working as inflation slowed from 9.1% in June to 7.1% in November. The Fed remains committed to bringing inflation back to the long-term 2.0% target. With more probable rate hikes in 2023 the Fed will continue walking a tight rope with a slowing global economy.

Fed Funds Futures



Strategic Market Outlook

The U.S. equity markets closed the year with the S&P 500 being down -19.44%. Markets will likely remain volatile throughout the new year as global recession fears playout. **We will continue to be patient with any new equity buying, and look for support levels in the equity markets.**

U.S. fixed income levels continued their substantial rise as traders price in further Fed rate hikes. Expectations of future rate cuts to fight recession have stabilized the long end of the curve, allowing investors to take on duration. **We will use increased interest rates to buy high quality bonds with longer duration in the fixed income sector.**

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