



MOE'S MARKET WRAP MINUTE

WEEK OF SEPTEMBER 27, 2022

MOE'S MARKET MENTIONS

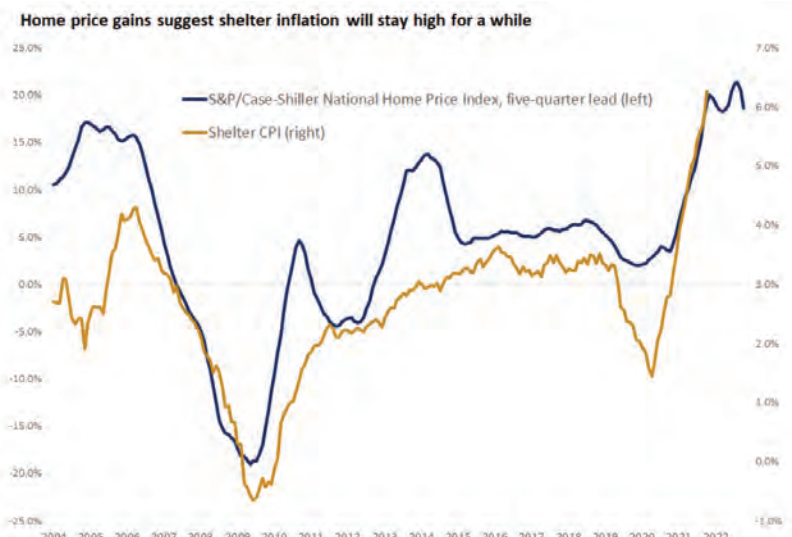
➤ What is causing market volatility right now?

- As of August 2022, US inflation is 8.3%. To bring down inflation the Federal Reserve has increased interest rates from 0% at the start of 2022 to the current rate of 3.25%, and by December the market expects the Fed to further increase rates to about 4.25%. This historic and rapid increase in interest rates is reducing the risk appetite, making the US dollar stronger and dragging down prices of all assets (stocks, bonds, real estate & cryptocurrencies).
- Yesterday, the 10-year US Treasury Note touched 4%. Higher interest rates have also caused the 30-year mortgage rates to climb over 7%. Rapidly rising interest rates are a strong headwind for a majority of asset classes.
- The war in Ukraine, energy supply shortages in Europe, and a slowdown in China due to the Zero-Covid policy are adding to the inflationary pressures which are at the core of the interest rate moves, thus providing more risk and volatility.

➤ While the overall environment is negative, we see a few signs that may indicate that a bottom may be nearing: We are starting to see rents stabilizing, gas prices declining, lumber prices and commodities retreating, and home values peaking; due to market volatility, the stock price of some particularly good, well-managed companies is starting to look attractive; lastly, we are in the midst of a mid-term election year which traditionally has led to elevated volatility before the election results, which may end once they are over.

CHART OF THE WEEK

This week's chart shows the level of shelter inflation remaining high. Historically, shelter inflation has lagged home price changes by several quarters so it stands to reason that inflation will remain high for a while. It is expected that rents will drive the shelter portion of the CPI higher at least through the end of the year. Housing prices are cooling and rents have barely begun to stabilize, so it should not be long before all shelter pricing begins to decline.



*Past performance is not indicative of future results.

Source: Bloomberg/EdwardJones.com 09.16.22

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Moez Ansari is the President, Chief Investment Officer, and founder of Compak Asset Management. With over 35 years of investment experience, Moez evaluates the markets using industry-leading technical and fundamental analysis.

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