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MARKET OUTLOOK | FRANCIS J. PERFETUO, JR., CFA

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Greetings from Veritas - we hope you enjoyed the summer despite the continued volatility in the markets!

As we enter the 4th quarter of 2022, here is what we are looking at…

- In the news:
    - o The Federal Reserve (Fed) continues to raise interest rates and in September announced its third consecutive 75 basis point hike. They continue to pledge that they will keep raising rates based on their various economic data points. The goals of these hikes are to help fight stubborn inflation and keep the economy on track, with the hopes of avoiding a prolonged recession
    - o After strong years in 2019, 2020, and 2021 markets have struggled in 2022. Stocks staged a summer rally in July and August, only to have the rally reverse course as Fed Chair Jerome Powell hawkishly reiterated his determination to fight inflation and cool down the economy
        - For the rest of 2022, we expect slowing economic growth, a continued strong labor market, strong consumer demand, lower but still healthy earnings, and continued improvements in global supply chains, all while the Fed continues to deal with the challenges of managing inflation
        - While we have seen some of the inflation data peak and start to come down, the levels are still too high for markets to sustain any short term rally's and begin to recover
    - o The hostilities in Ukraine continue to add to the existing inflation problem and put strains on the global economy

- Developments to monitor:
    - o The Fed and Inflation – investors are closely monitoring the Fed for any changes to their plans. With inflation pressures not yet abating we can expect the Fed to stay aggressive until we have evidence that inflation has peaked, and this could keep pressure on the markets
        - Contributing to high inflation readings is a healthy consumer, high food prices, higher energy prices coupled with limited supplies, Russian related sanctions, global supply chain disruptions, and the improved labor market/wage growth
        - Markets are forward looking so once there are signs of significant inflation relief we would expect markets to start to recover
    - o Recessionary concerns continue to grow – if the economy slows too much we could enter a recession in 2023
    - o Earnings – 3rd quarter earnings were resilient and better than expected. If this trend continues in 4Q it should continue to support current market valuations and a more favorable outlook
    - o Mid-Term Elections – the changing political landscape is worth monitoring for larger economic and policy shifts.

- Market Performance for YTD 2022 (1/1/22 - 09/30/22):
    - o Equity Benchmarks 1
        - S&P 500 (US Large Caps): -23.9%
        - Russell 2000 (US Small Caps): -25.1%
        - MSCI EAFE (International Developed): -27.1%
    - o Fixed Income Benchmark 1,2
        - ICE BofAML US Corp & Govt 1-10 Yr A-Rated (Bonds): -9.0%
        - Barclays US Aggregate Bond Index (Bonds): -14.6%
            - · Fixed Income markets have been impacted by the aggressive rise in interest rates causing pricing pressures for bonds
    - o Alternative Investment Benchmark 3
        - HFRX Global Hedge Fund Index (Alternative Investments): -3.3%

While we are not happy with recent market performance, we know that volatility and periods of market weakness are normal. Short-term headlines and the accompanying volatility can be unsettling but try to keep your focus on longer-term goals. We are very pleased with the performance of our Alternative Investment Portfolio which has produced positive results in 2022. Our portfolio strategy is well positioned for a more stable market environment focusing on responsible growth, risk management and diversification. This approach has and will continue to produce long term and sustainable investment results.

I will continue to monitor all market and economic developments with a particular focus on the Fed and inflation levels.

As always, thank you for your trust and confidence in our Team!

1 Source: Blackrock
2 Source: ICE Index Platform
3 Source: HedgeFundResearch.com (Returns through 8/31/22)

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