

Inflation, Inflation, Inflation...

Where's the Peak?

Coffee Talks

October 26th, November 2nd, November 9th & November 10th, 2022

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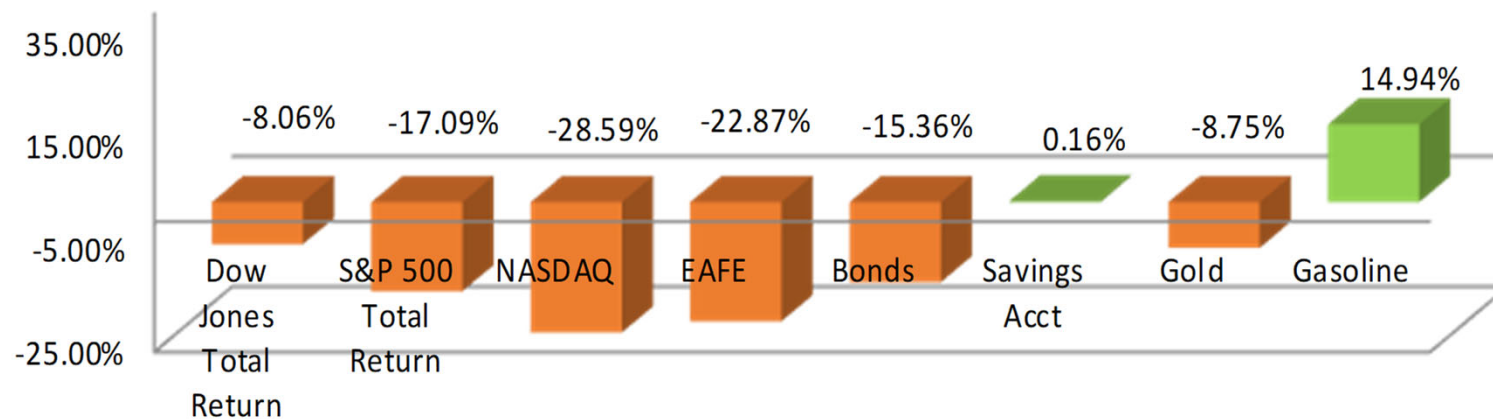
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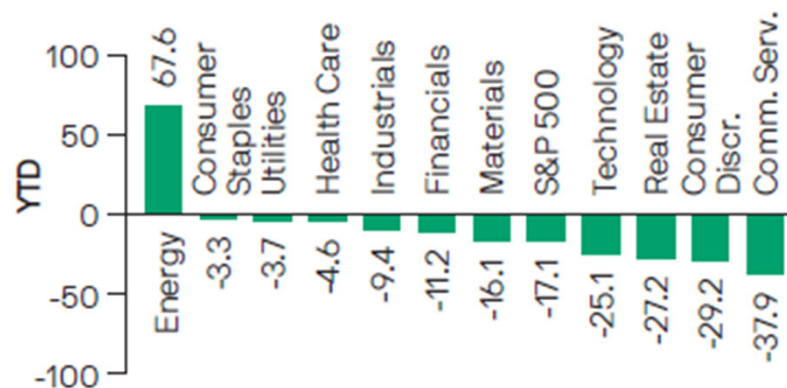
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Tracy Clanton
Registered Operations Manager

2022 Year to Date Returns



J.P. Morgan Weekly Market Recap | 31 October 2022



J.P. Morgan Weekly Market Recap | 31 October 2022

Worst Start to a Year for Bonds & 4th Worst Start for Stocks

Worst ever start to a year for U.S. bonds

Since 1926, total return for 1/1 - 9/30 each calendar year, 10 worst periods

Year	First 9 months	Next 12 months
2022	-14.6	?
1981	-3.9	35.2
1994	-3.2	14.1
1987	-2.9	13.3
1958	-2.0	-0.3
2013	-1.9	4.0
2018	-1.6	10.3
1969	-1.6	11.1
2021	-1.6	-14.6
1959	-1.0	11.0
Avg.	-3.4	9.3

4th worst ever start to a year for U.S. stocks

Since 1926, total return for 1/1 - 9/30 each calendar year, 10 worst periods

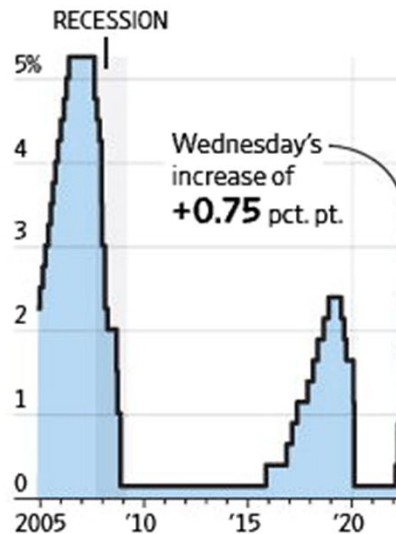
Year	First 9 months	Next 12 months
1931	-34.3	-9.6
1974	-32.8	38.1
2002	-28.2	24.4
2022	-23.9	?
2001	-20.4	-20.5
1962	-19.4	31.7
2008	-19.3	-6.9
1937	-17.3	-5.5
1966	-15.1	30.6
1946	-11.3	6.5
Avg.	-22.2	9.9

Source: Morningstar as of 9/30/22. U.S. bonds represented by the IASBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg US Agg Bond TR Index from 1/3/89 to 9/30/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 9/30/22 and the IASBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Blackrock | Student of the Market October 2022

Federal-Funds Rate

Federal-funds rate target



Note: Shows midpoint of range since 2008
Source: Federal Reserve

Wall Street Journal | 22 September 2022

Federal-funds effective rate

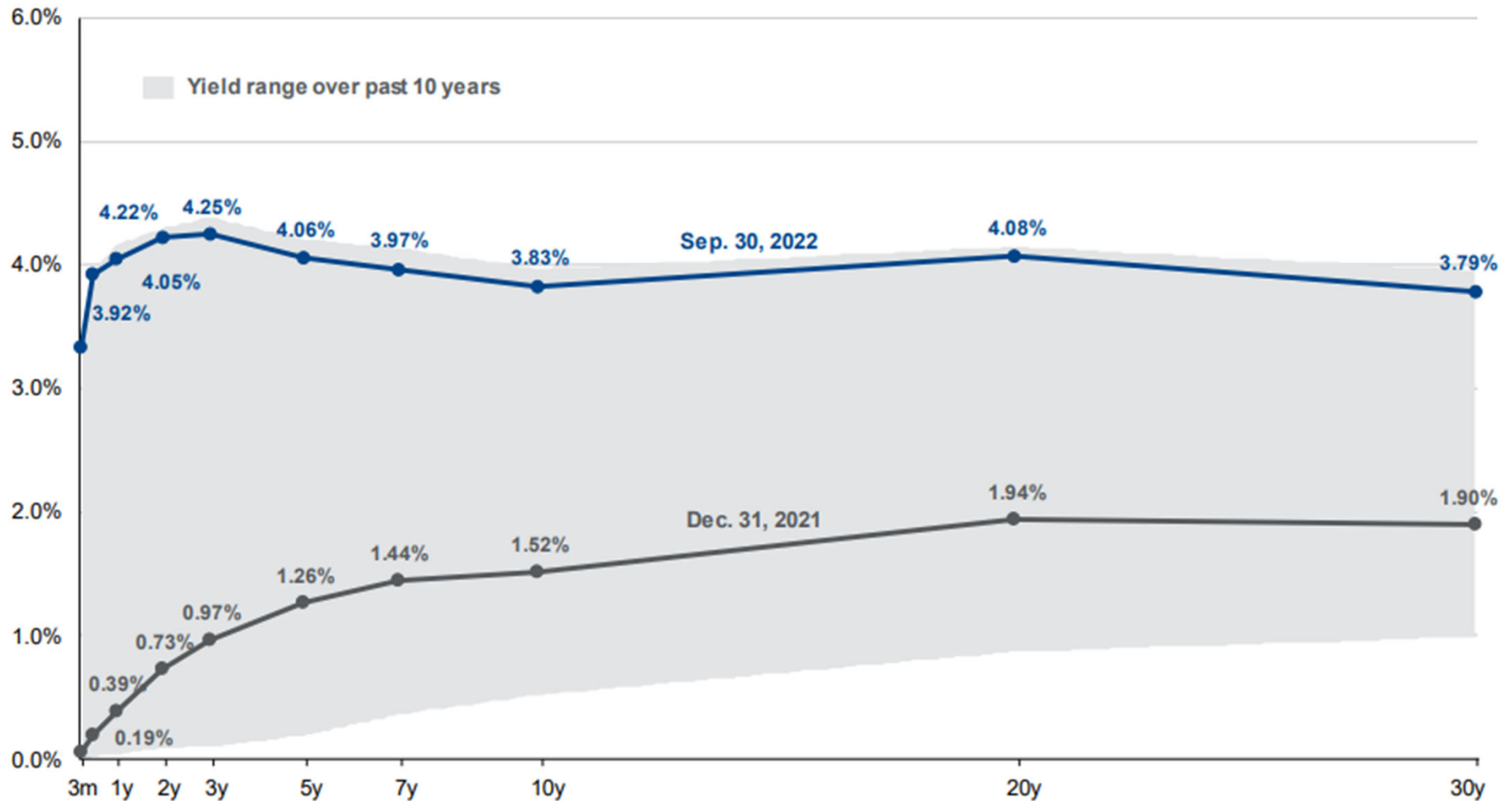


Source: Board of Governors of the Federal Reserve System via St. Louis Fed

Wall Street Journal | 6 October 2022

Yield Curve

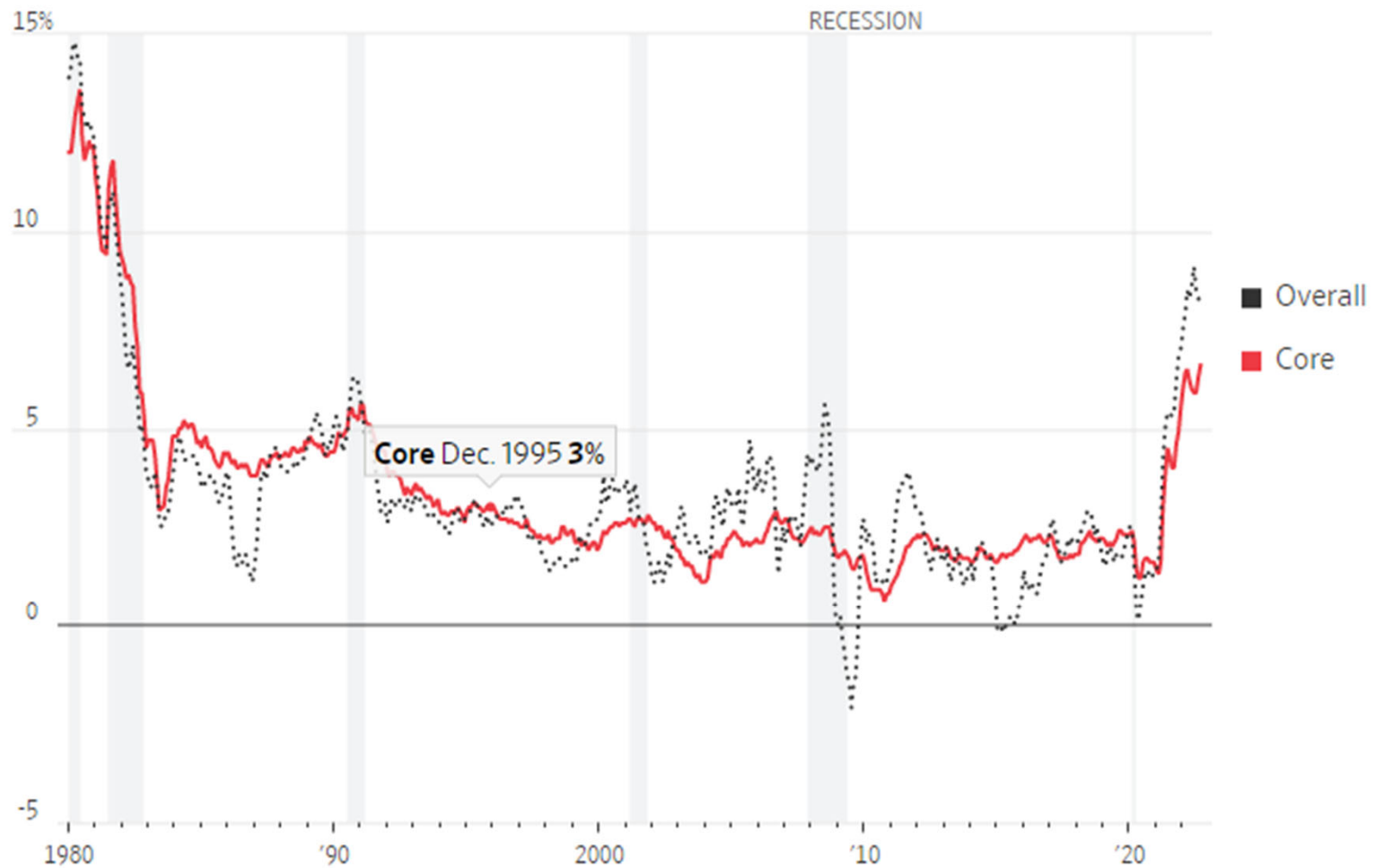
U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of September 30, 2022.

Consumer-Price Index

Consumer-price index, change from a year earlier

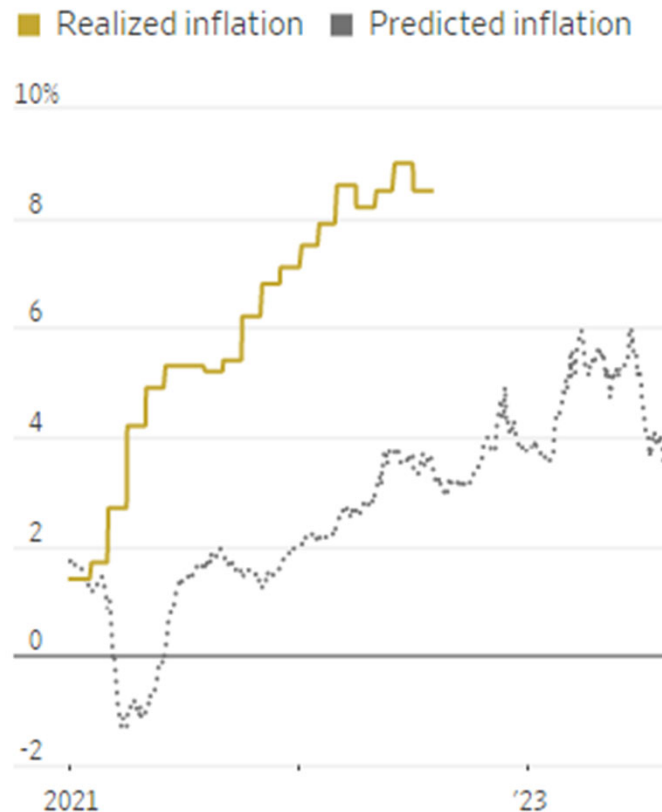


Source: Labor Department

Wall Street Journal | 13 October 2022

Inflation vs. Expectations

Inflation vs. expectations



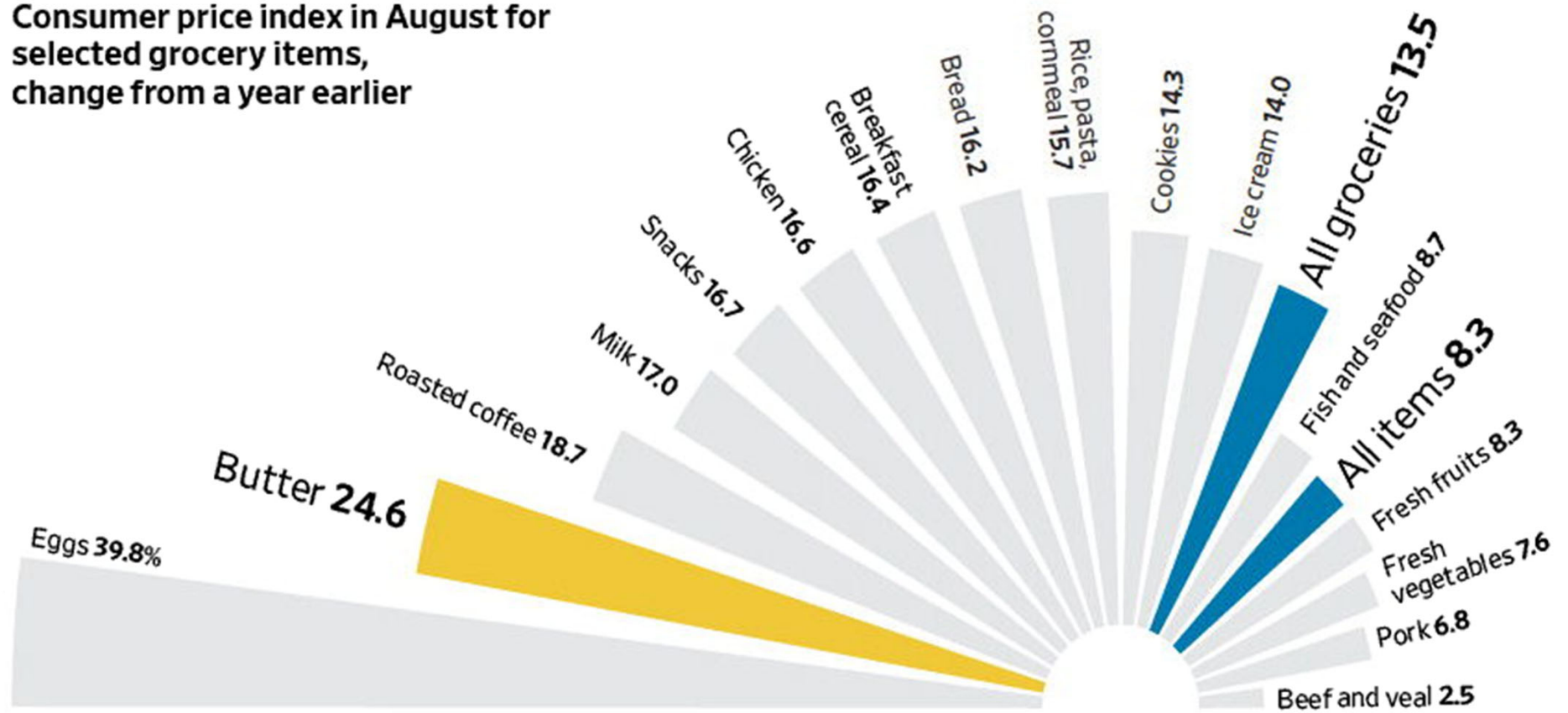
Note: The gray line shows derivatives markets' one-year-earlier forecast for annual inflation. The gold line shows how inflation has actually turned out.

Source: Labor Department (inflation); Barclays (CPI swaps data)

Wall Street Journal | 16 August 2022

Makin' Groceries...

Consumer price index in August for selected grocery items, change from a year earlier



Source: Labor Department

Jemal R. Brinson/THE WALL STREET JOURNAL

Wall Street Journal | 23 September 2022

Energy

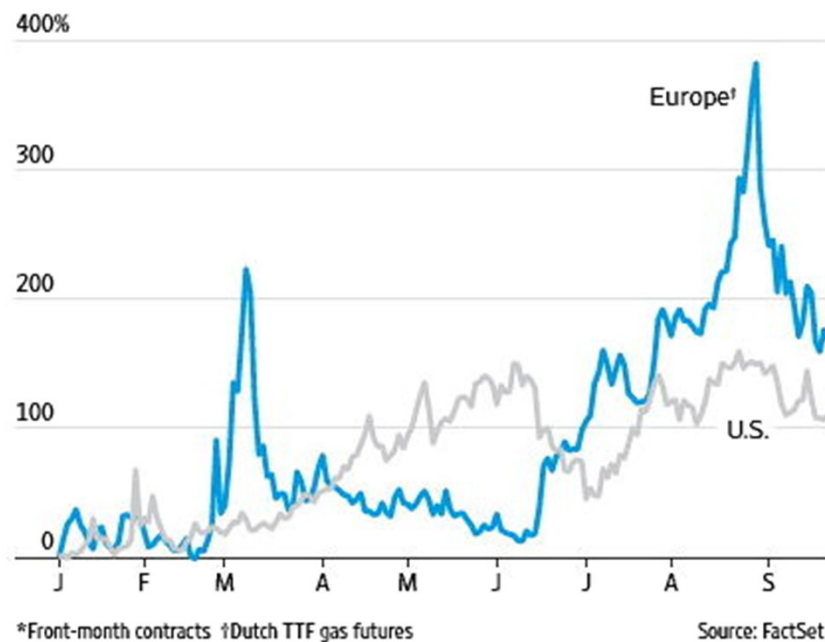
National average price for regular gasoline



Source: AAA

Wall Street Journal | 3 September 2022

Natural-gas futures price performance this year*



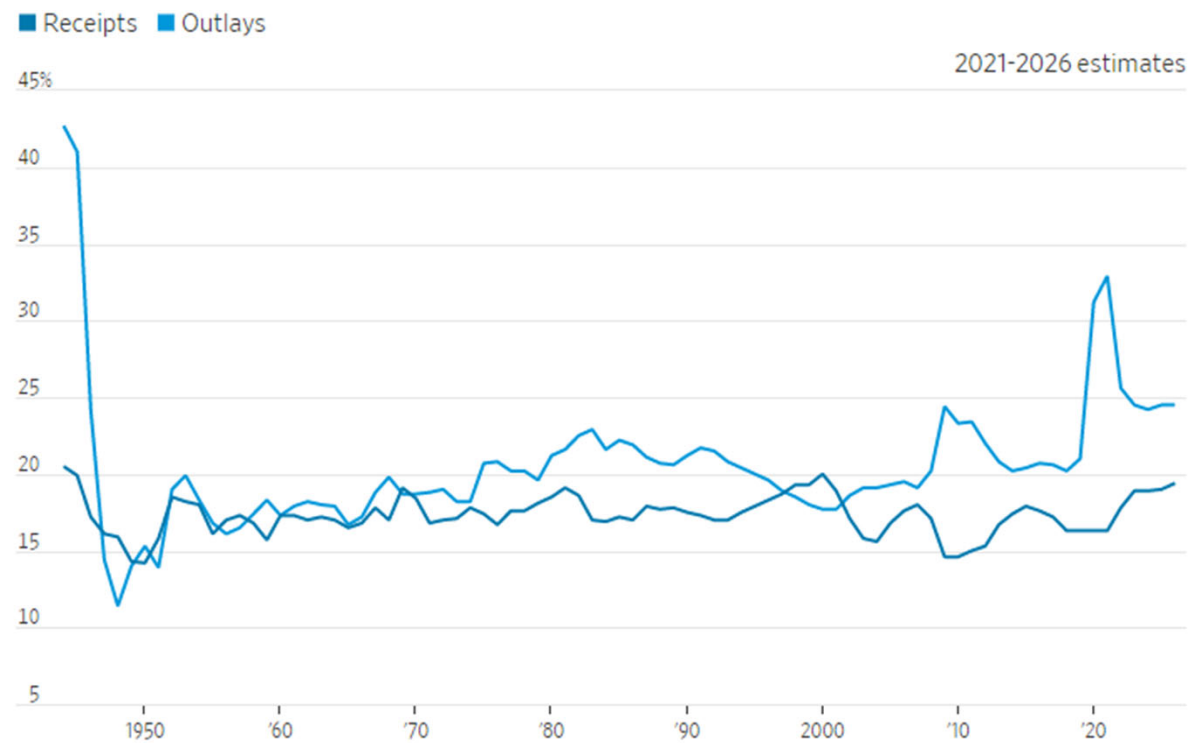
*Front-month contracts †Dutch TTF gas futures

Source: FactSet

Wall Street Journal | 22 September 2022

So Much Spending...

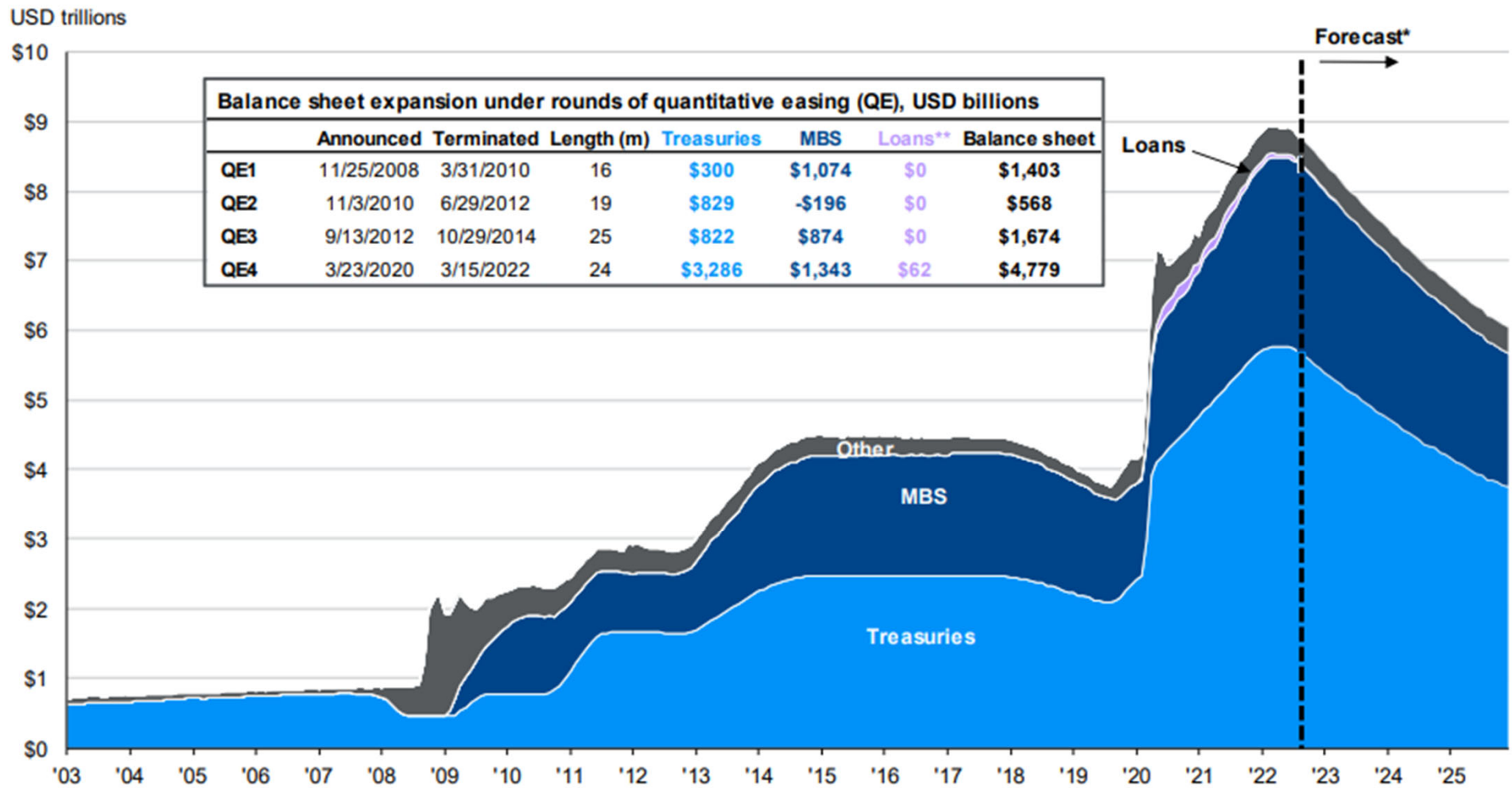
Receipts and outlays as a share of GDP, 1944-2026



Source: Office of Management and Budget

Wall Street Journal | 1 June 2021

Federal Reserve Balance Sheet



Source: FactSet, Federal Reserve, J.P. Morgan Investment Bank, J.P. Morgan Asset Management.

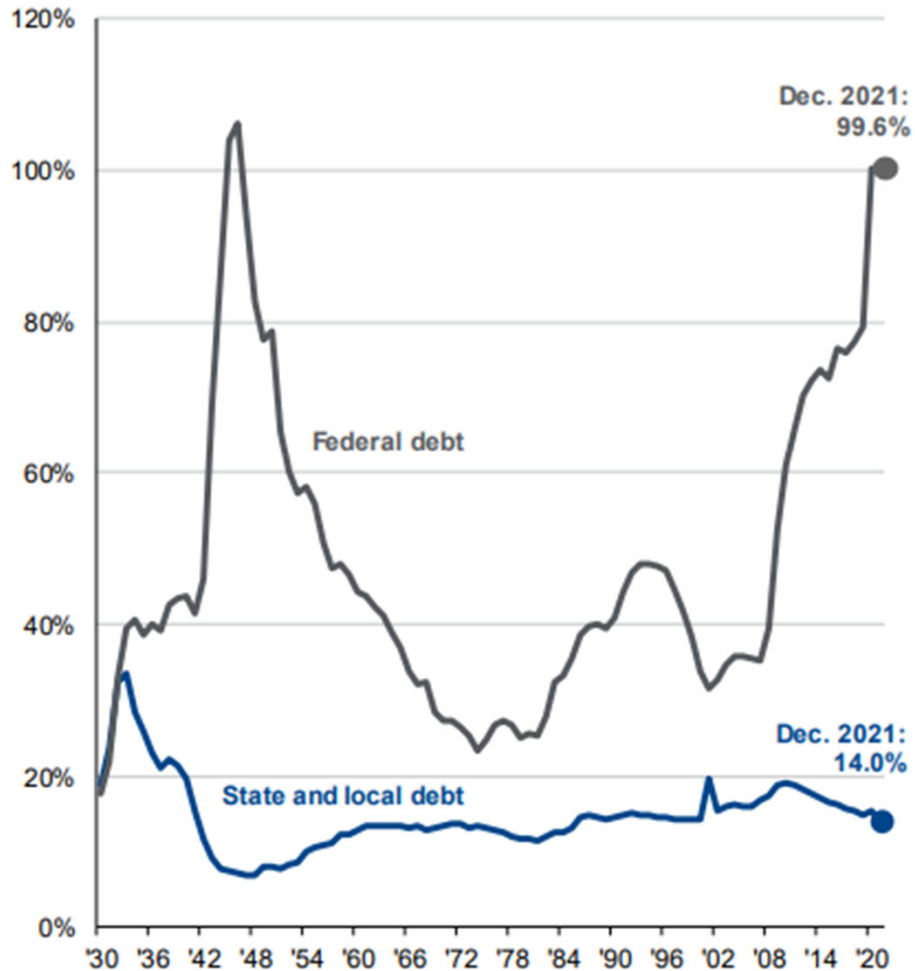
At its peak, the balance sheet contained \$5.8tn in Treasuries and \$2.7tn in MBS. *Per the most recent Federal Reserve policy meeting, the forecast assumes the Federal Reserve began balance sheet runoff in June 2022. From June to August, the committee allowed up to \$30bn in U.S. Treasury securities and \$17.5bn in agency mortgage-backed securities to mature per month, with that pace doubling to \$60bn and \$35bn respectively in September. Any maturing amount in excess of these caps are reinvested. The forecast does not include the active selling of securities from the committee. **Loans include liquidity and credit extended through corporate credit facilities established in March 2020. Other includes primary, secondary and seasonal loans, repurchase agreements, foreign currency reserves and maiden lane securities. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

Guide to the Markets – U.S. Data as of September 30, 2022.

Debt

State and local and federal net debt

% of GDP, 1930-2021, end of fiscal year

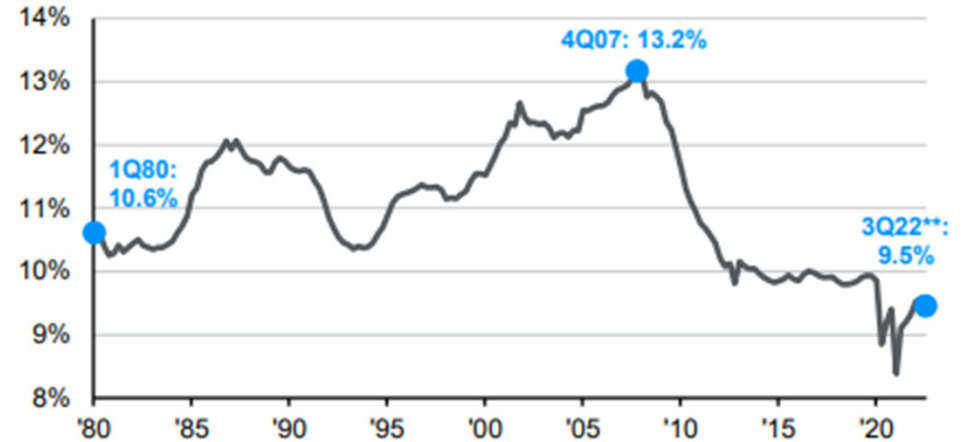


Source: J.P. Morgan Asset Management, Census Bureau, Congressional Budget Office (CBO). State and local debt are based on the Census Bureau's Annual Survey of State and Local Government Finances. Guide to the Markets – U.S. Data are as of September 30, 2022.

J.P. Morgan Asset Management | Guide to the Markets October 2022

Household debt service ratio

Debt payments as % of disposable personal income, SA

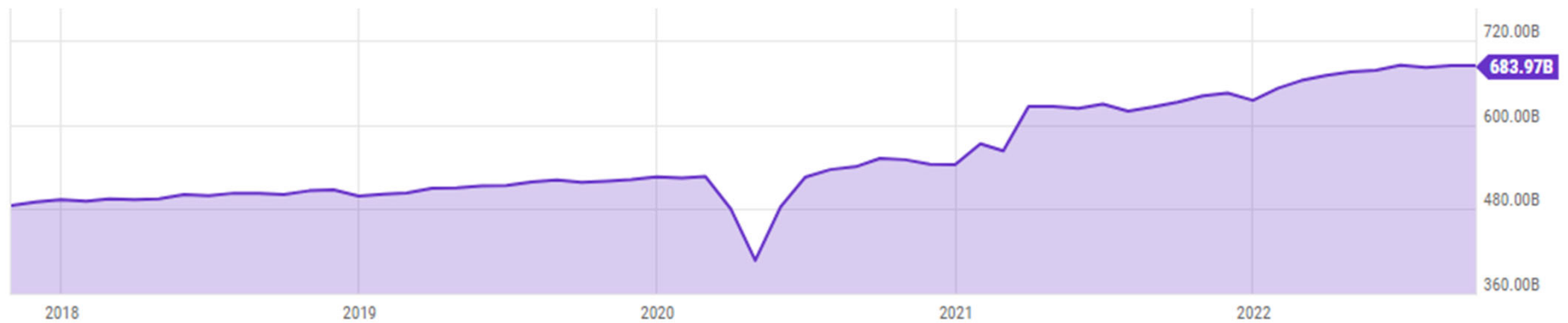


Source: FactSet, FRB, J.P. Morgan Asset Management. Data include households and nonprofit organizations. SA-seasonally adjusted. **3Q22 figures for debt service ratio are J.P. Morgan Asset Management estimates. Guide to the Markets – U.S. Data are as of September 30, 2022.

J.P. Morgan Asset Management | Guide to the Markets October 2022

US Retail & Food Service Sales

Five-Year Overview; \$683.97B for Sep 2022

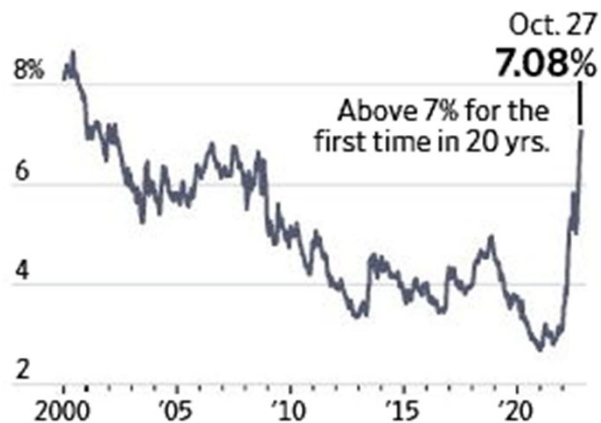


Source: Census Bureau

Y Charts | September 2022

Housing Market

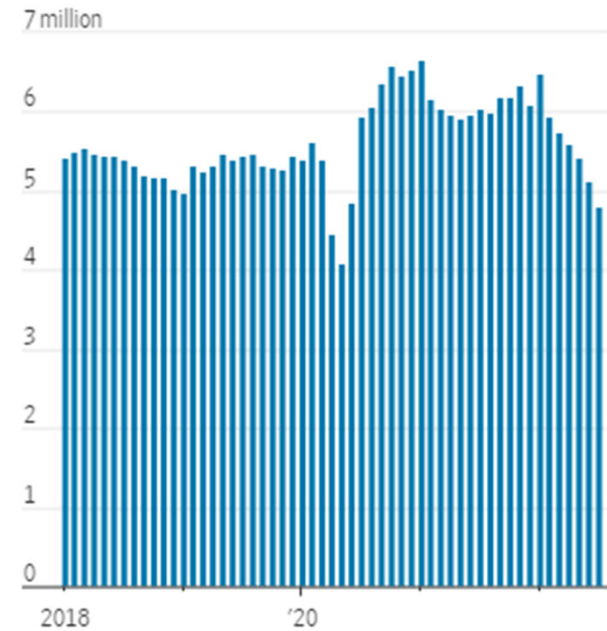
Average rate on a 30-year fixed mortgage



Source: Freddie Mac

Wall Street Journal | 28 October 2022

U.S. existing-home sales



Note: Seasonally adjusted annual rate

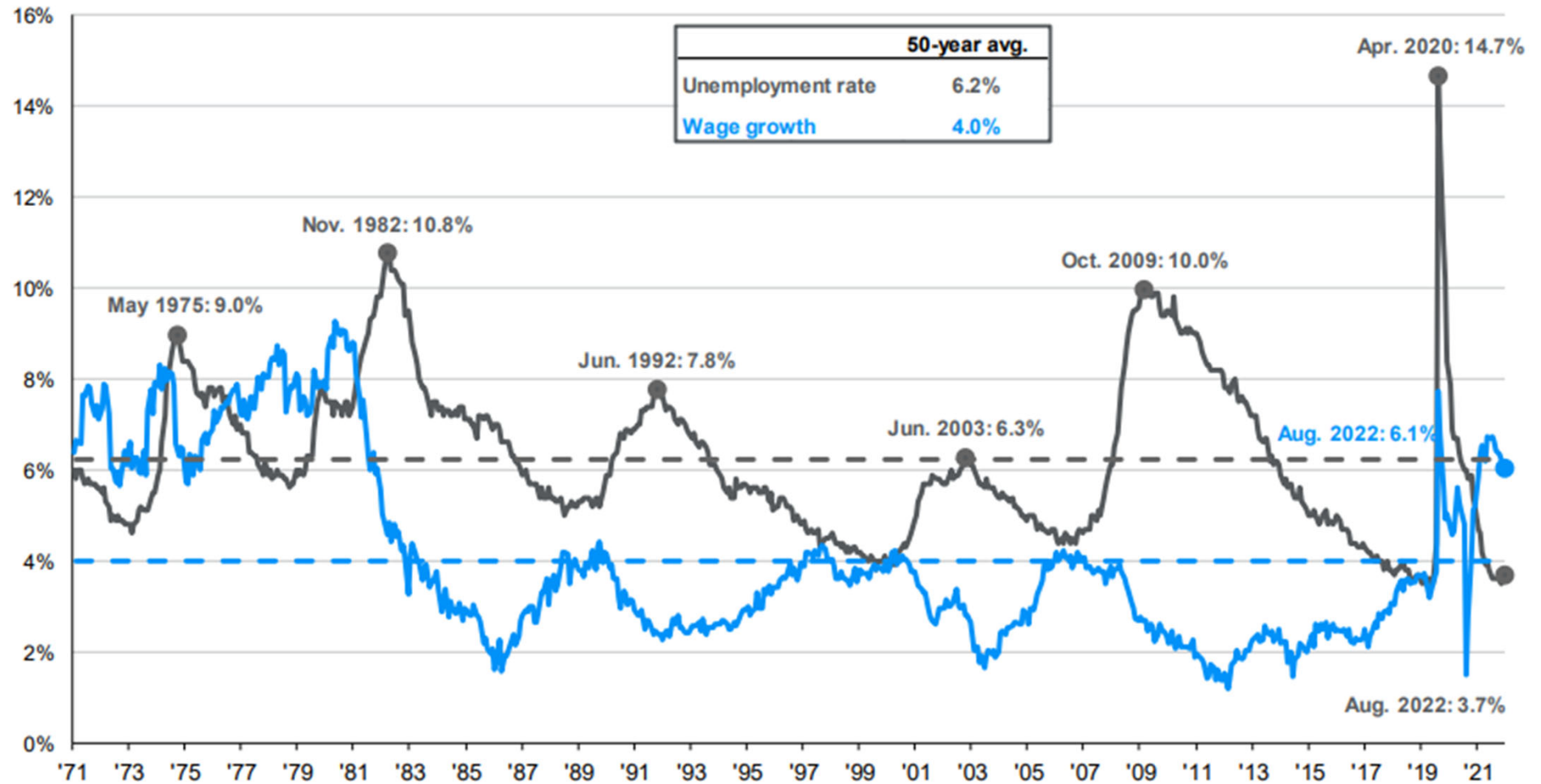
Source: National Association of Realtors

Wall Street Journal | 18 September 2022

Unemployment and Wages

Civilian unemployment rate and year-over-year wage growth

Private production and non-supervisory workers, seasonally adjusted, percent

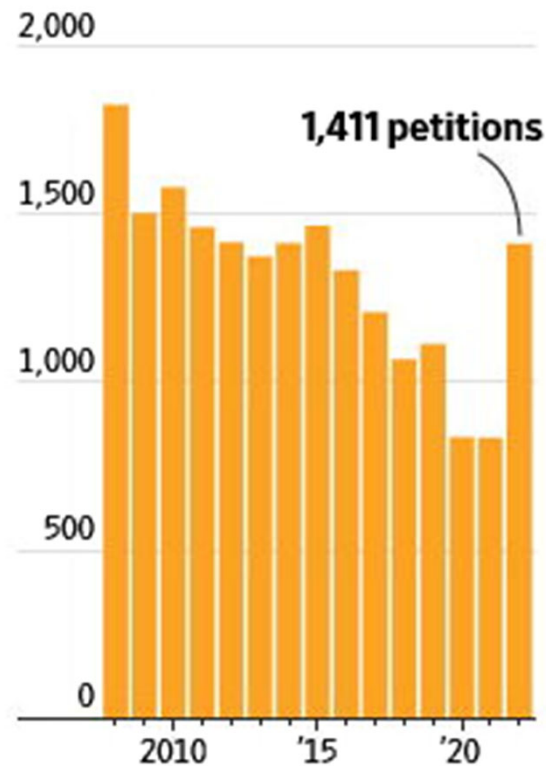


Source: BLS, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of September 30, 2022.

J.P. Morgan Asset Management | Guide to the Markets October 2022

Union Petitions

**Union petitions filed to the
National Labor Relations
Board, first six months of year**



Source: National Labor Relations Board

Wall Street Journal | 13 July 2022

Shipping

Ocean Shipping Rates Plunged 60% This Year

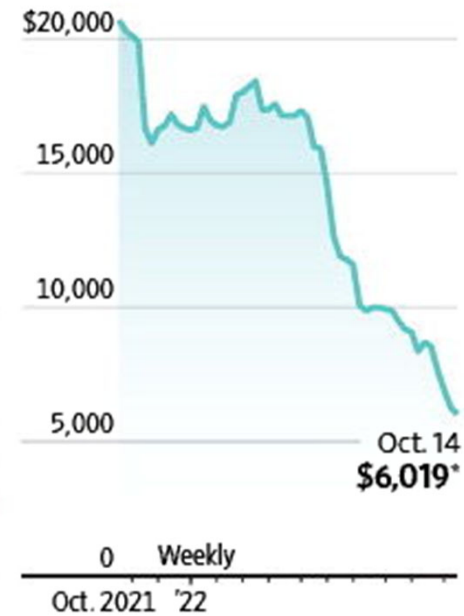
Wall Street Journal | October 2022

U.S. container import volume, change from previous year



*Spot rate for 40-foot containers

Average shipping rates from Asia to the U.S. West Coast



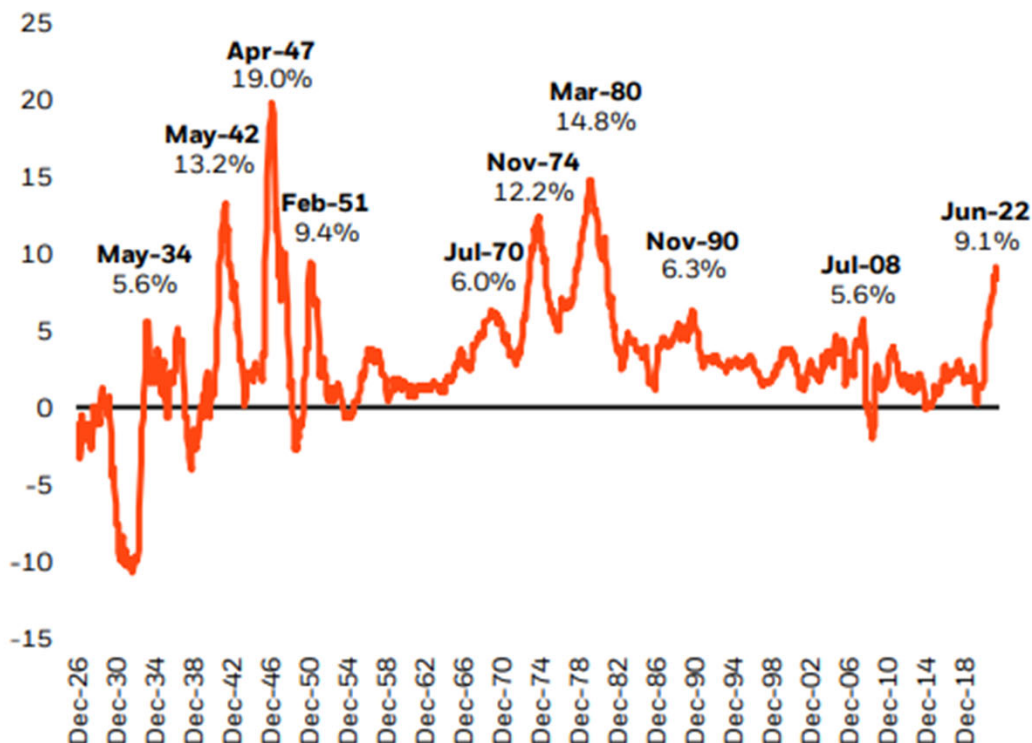
Sources: Descartes Datamyne (volume); Freightos (rates)

Wall Street Journal | 19 October 2022

Performance Following Peaks in Inflation

“Peaks” in the inflation rate

Since 1926, 12-month change in inflation rate



Returns following “peak” inflation rates

Since 1926, returns for the next 12 months

Peak Inflation	Next 12 months	
	Stocks	Bonds
May 1932	4.8%	6.3%
May 1942	57.6%	2.0%
Apr 1947	12.4%	1.2%
February 1951	13.6%	0.3%
July 1970	26.6%	10.4%
November 1974	36.2%	7.7%
March 1980	40.1%	13.1%
November 1990	20.3%	14.4%
July 2008	-20.0%	7.9%
June 2022	?	?
Avg.	21.3%	7.0%

Source: Morningstar as of 9/30/22. U.S. bonds represented by the IASBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg US Agg Bond TR Index from 1/3/89 to 9/30/22. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 9/30/22 and the IASBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

S&P 500 Valuation

S&P 500 Valuation

Forward 12-month price-to-earnings ratio



Source: FactSet

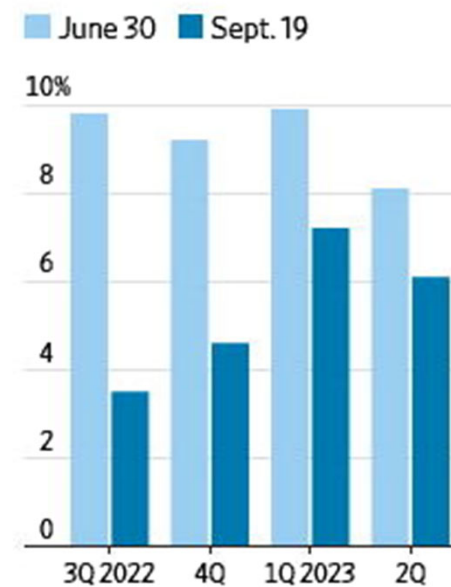
Wall Street Journal | 8 August 2022

Earnings



Wall Street Journal | 23 September 2022

S&P 500 quarterly earnings growth, by date of estimate

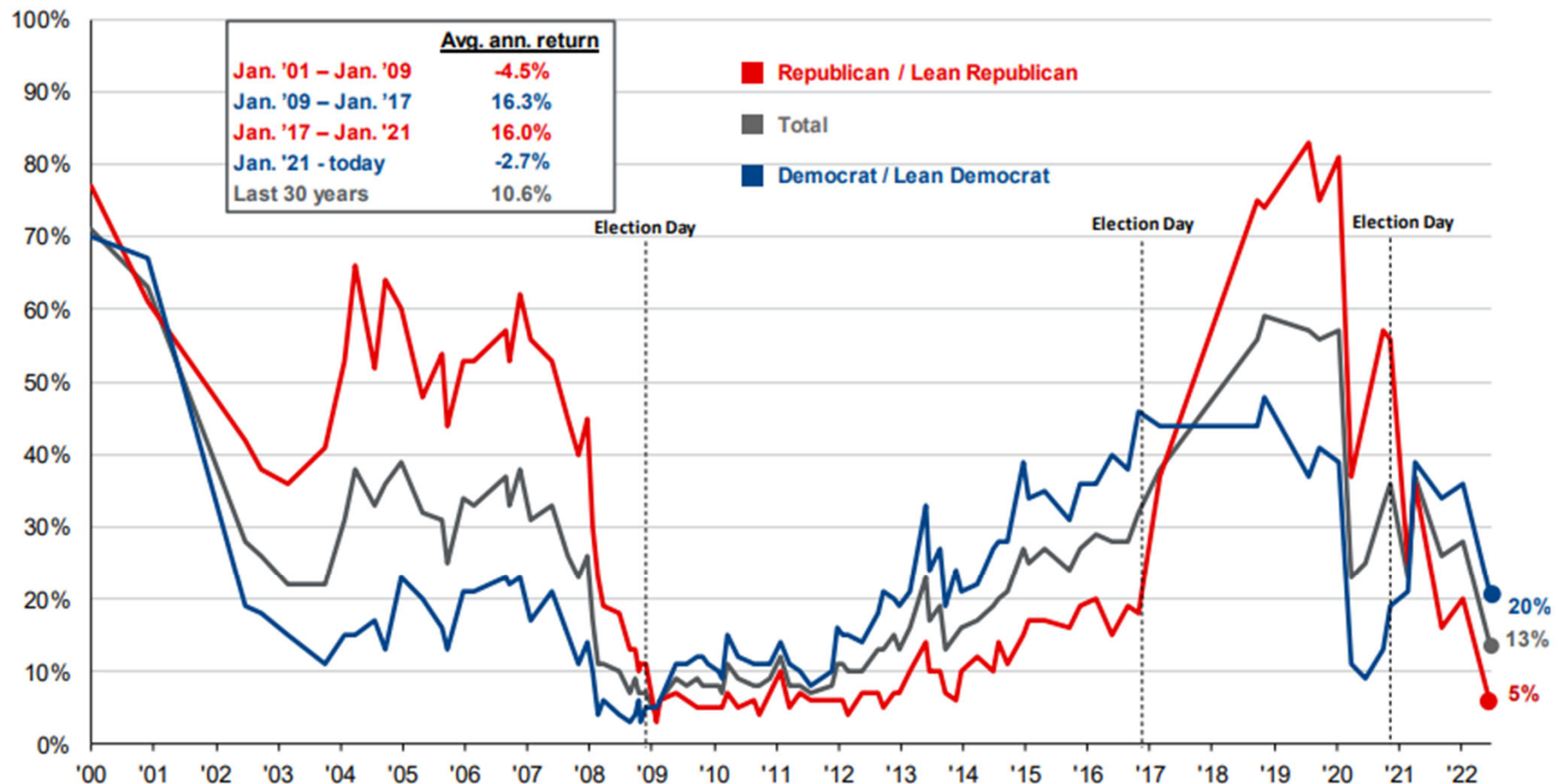


Wall Street Journal | 21 September 2022

Mid-Term Elections

Consumer Confidence by Political Affiliation

Percent of Republicans and Democrats who rate national economic conditions as excellent or good
Percent

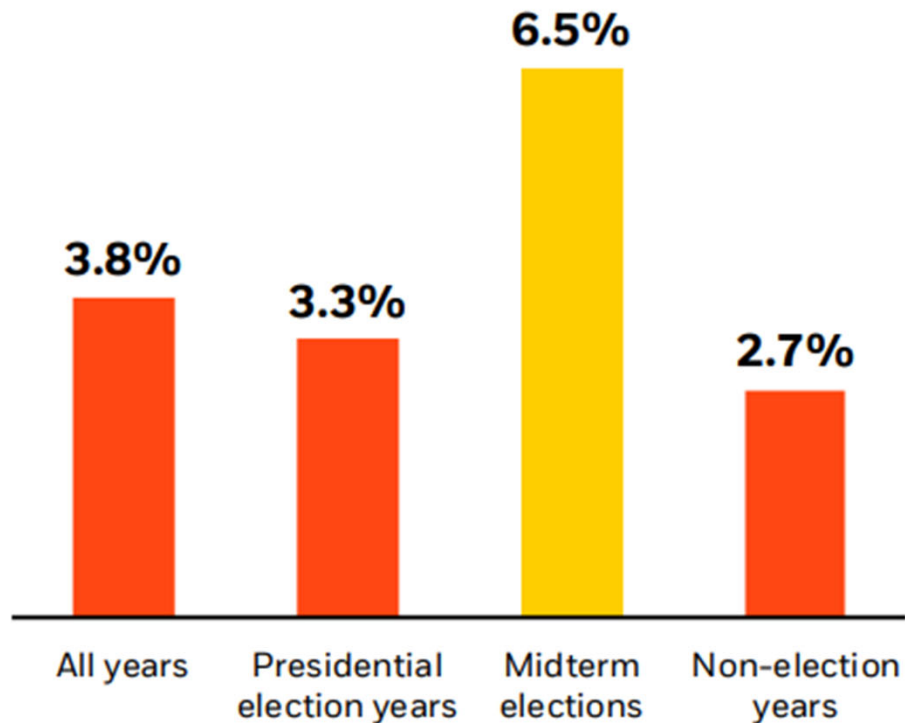


Source: Pew Research Center, J.P. Morgan Asset Management. Pew Research Center, June 2020, "Republicans, Democrats Move Even Further Apart in Coronavirus Concerns." Question: Thinking about the nation's economy, How would you rate economic conditions in this country today... as excellent, good, only fair, or poor? The survey was last conducted in July 2022.
Guideto the Markets – U.S. Data are as of September 30, 2022.

Mid-Term Elections cont'd

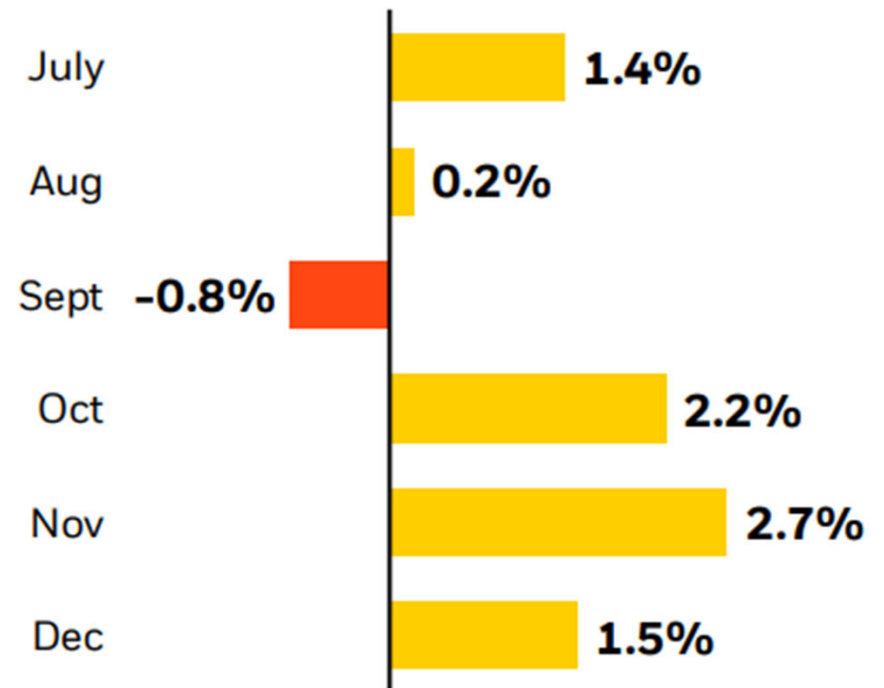
Average 4th quarter U.S. stock performance across election cycles

Average annual return, 1/1/26 – 9/30/22



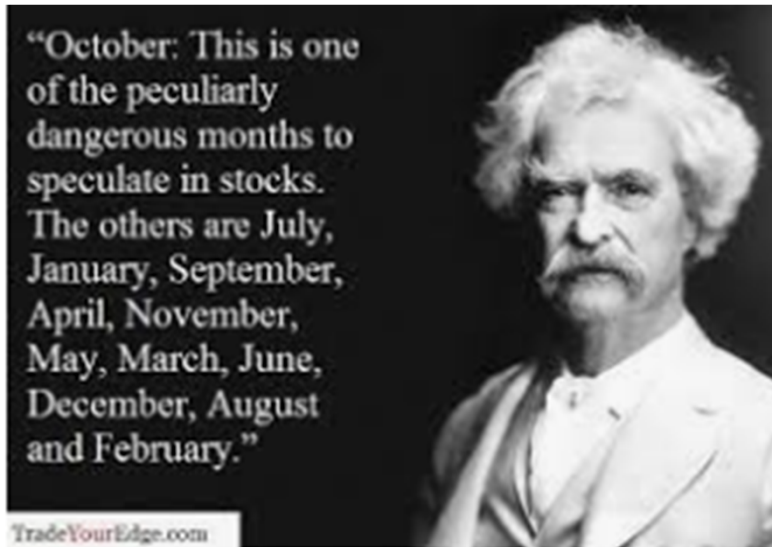
U.S. stock performance in midterm election years

Average monthly return in midterm election years, 1/1/26 – 9/30/22



Source: Morningstar as of 9/30/22. Stock market represented by the S&P 500 Index from 3/4/57 to 9/30/22 and IA S&B U.S. Large Cap TR Index from 1/1/26 to 3/4/57. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Quotes



--- Mark Twain



--- Winston Churchill



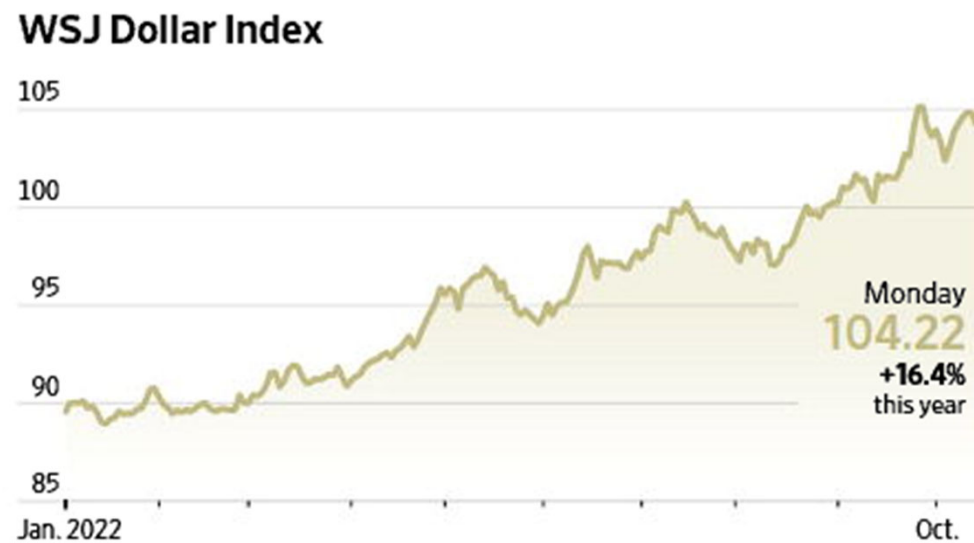
--- Winston Churchill

King Dollar

**“People have predicted the dollar’s demise every year
—for the past 40 years.”**

— Jens Nordvig

Barron's | 16 September 2022

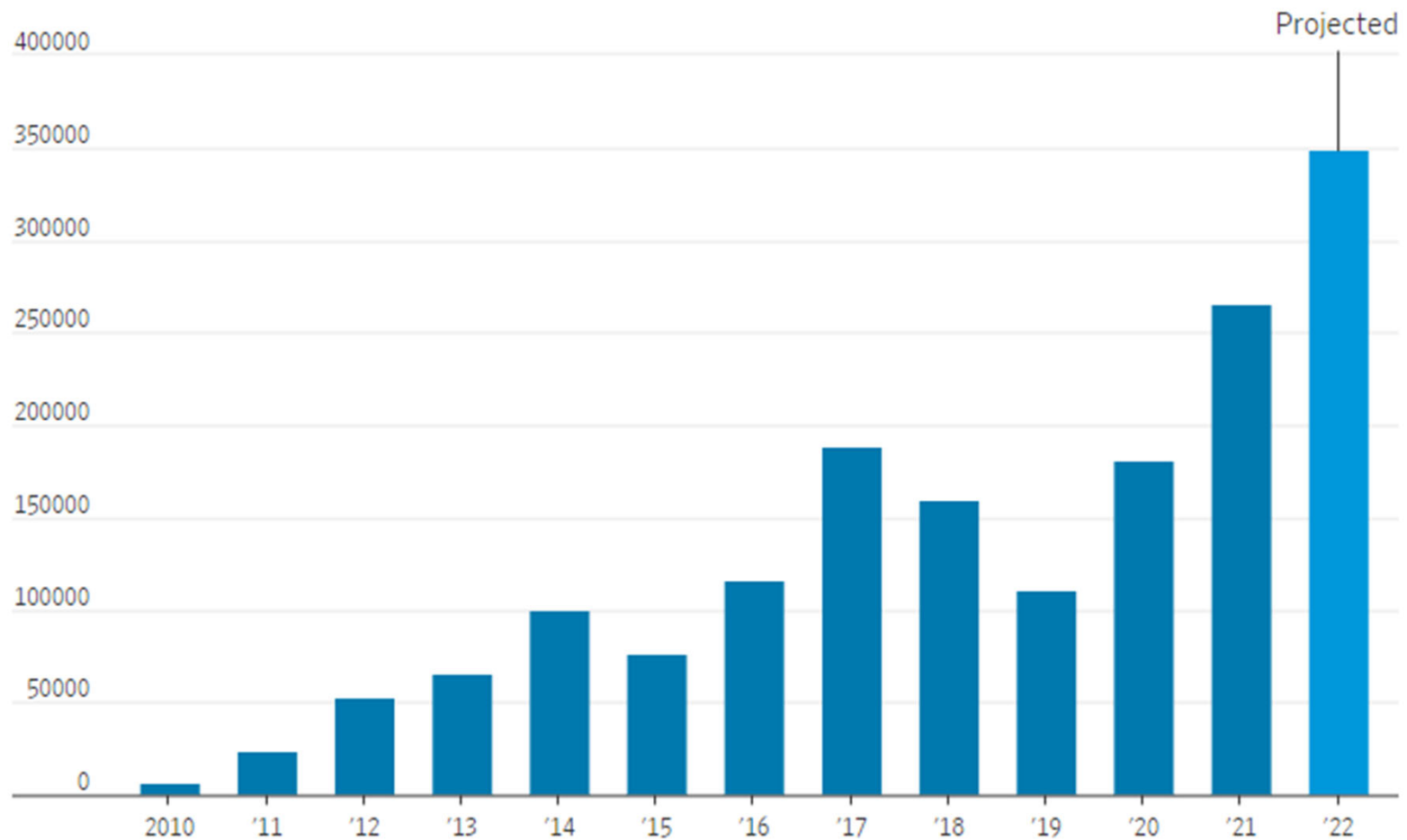


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Reshoring

Reshoring

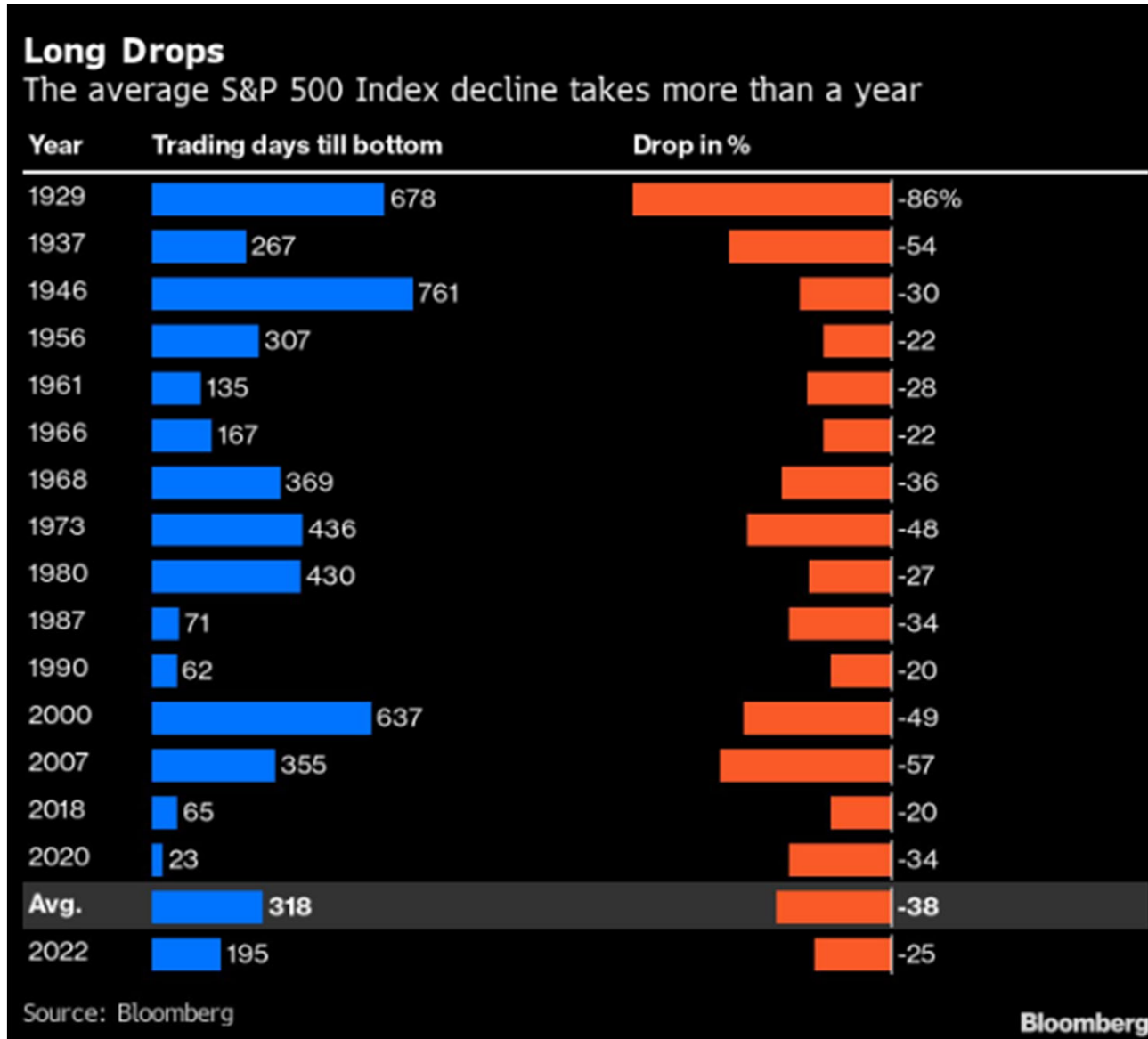
Number of job announcements per year



Source: Reshoring Initiative

Wall Street Journal| 20 August 2022

Long Drops

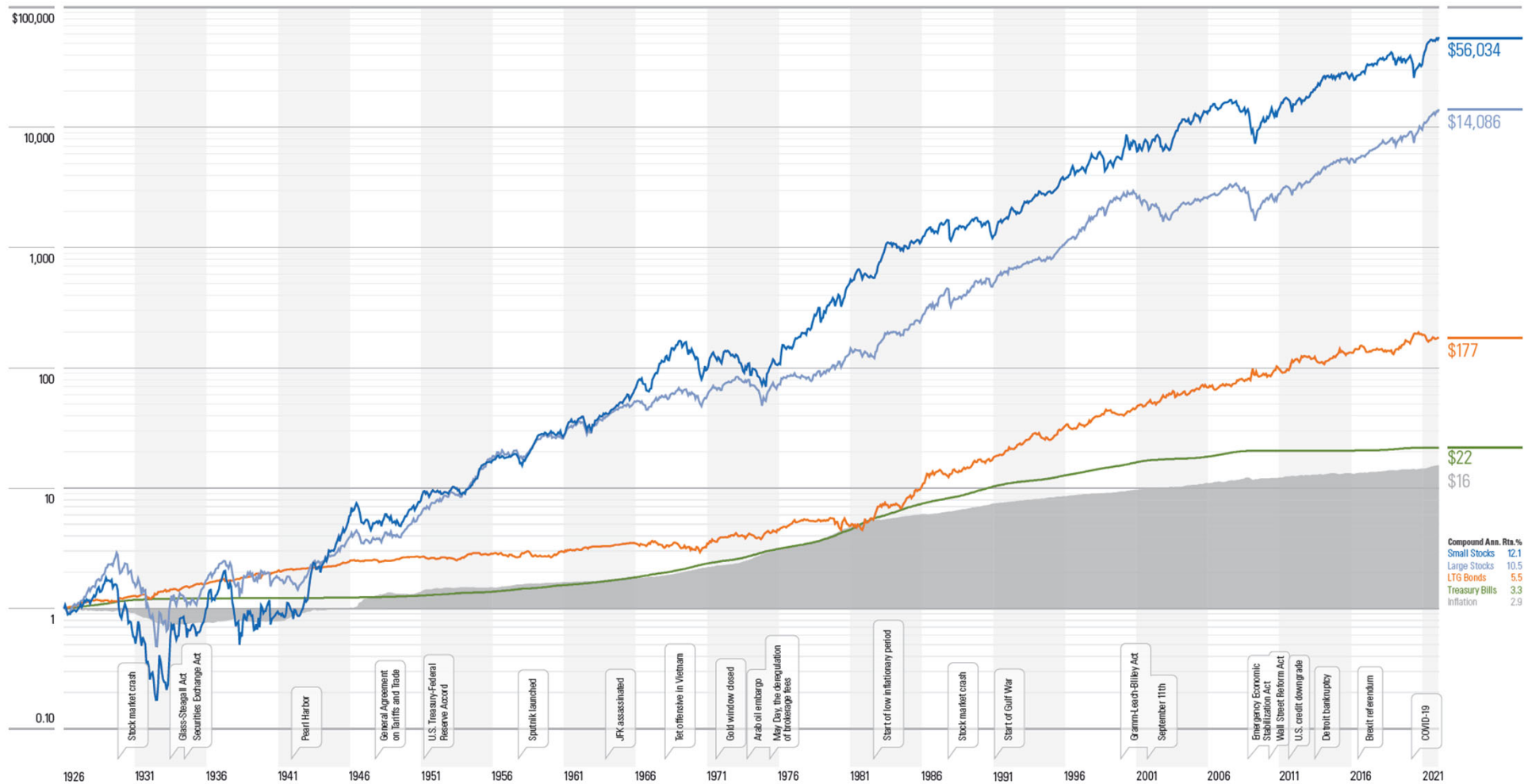


Financial Advisor | 17 October 2022

Stocks, Bonds, Bills, and Inflation

Ibbotson® SBBI®

Stocks, Bonds, Bills, and Inflation January 1926–December 2021



Past performance is no guarantee of future results. Hypothetical value of \$1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Past performance is no guarantee of future results. Government bonds and Treasury bills are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest, while stocks are not guaranteed and have been more volatile than the other asset classes. Furthermore, small stocks are more volatile than large stocks and are subject to significant price fluctuations, business risks, and are thinly traded. Source: Small Stocks—represented by the Ibbotson® Small Company Stock Index; Large Stocks—Ibbotson® Large Company Stock Index; Long-Term Government Bonds—20-year U.S. Government Bond; Treasury Bills—30-day U.S. Treasury Bill; Inflation—Consumer Price Index. Underlying data is from the Ibbotson SBBI Yearbook, by Roger G. Ibbotson and Rex Sinquefeld, updated annually. ©2022 Precision Information LLC, dba Financial Fitness Group (FFG). All Rights Reserved. 2414880. The reproduction of this chart without prior consent from FFG is prohibited.



Questions?
