



When the Tide Turns

Annual Client Event
February 2023

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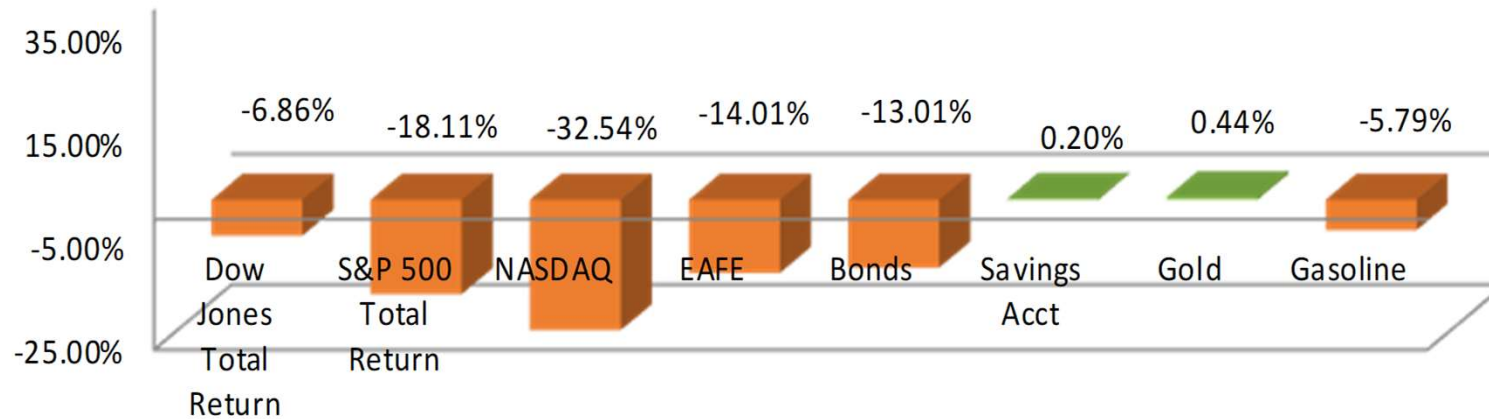
Stephanie F Lawson
Chief Administrative Officer

Amy Longo
Client Associate

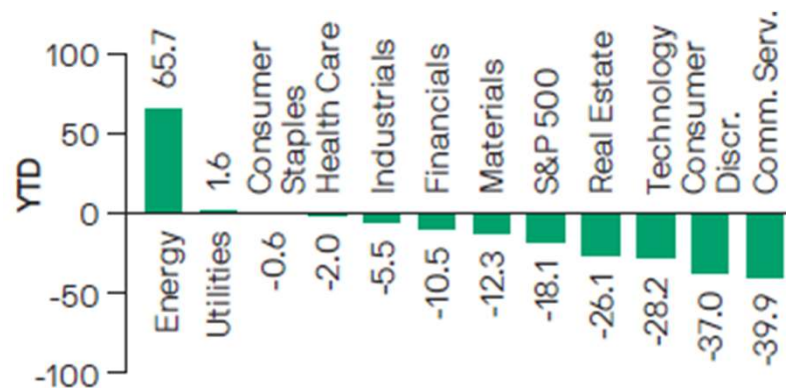
Marcy Morreale
Client Associate

Tracy Clanton
Registered Operations Manager

2022 Year to Date Returns



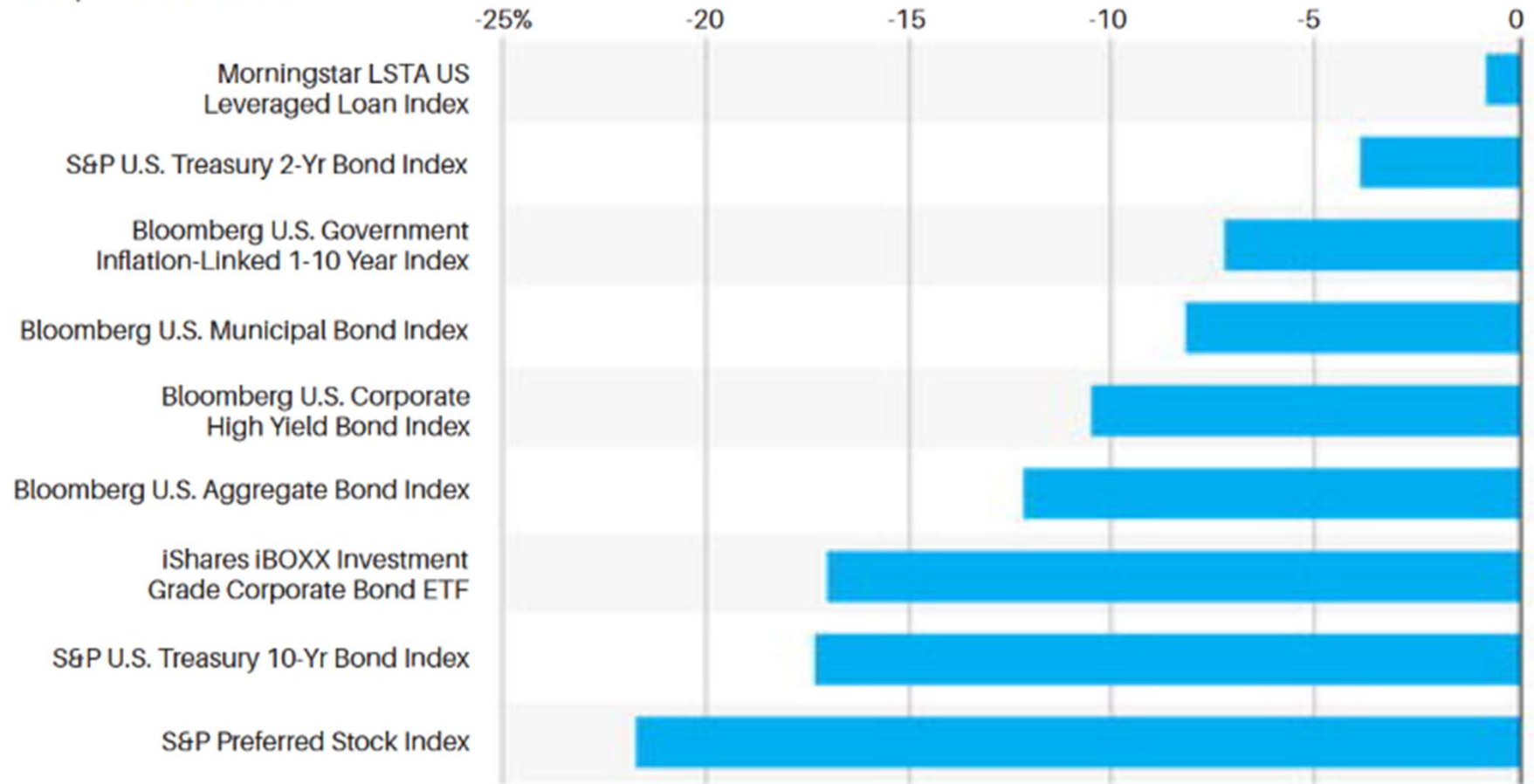
J.P. Morgan Weekly Market Recap | 2 January 2023



J.P. Morgan Weekly Market Recap | 2 January 2023

No Place to Hide

Major categories of fixed income posted losses in 2022 as the Fed battled inflation with historically sharp rate increases.



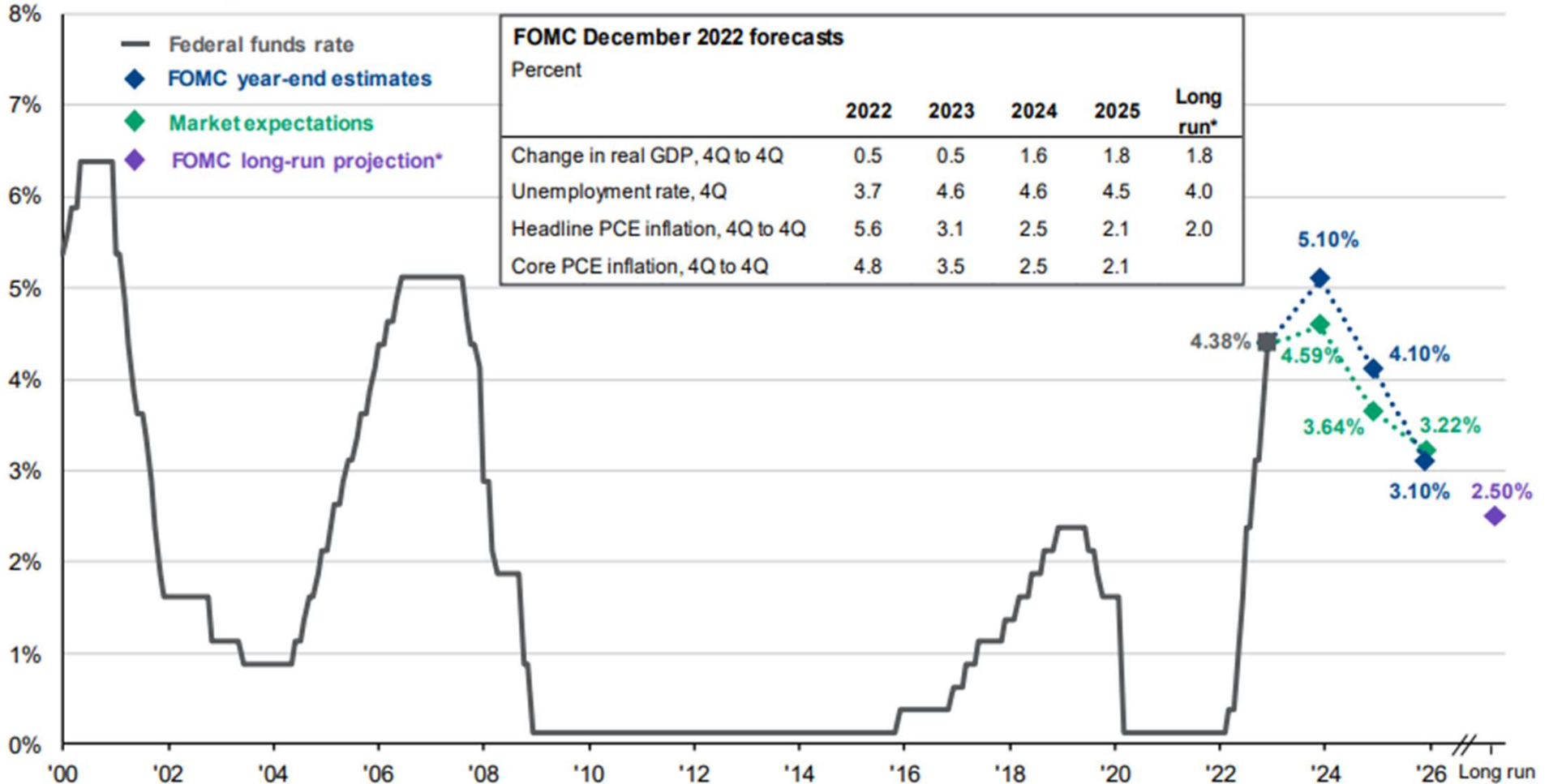
Note: data through Dec. 20 except for leveraged loans, which are as of Dec. 19.

Sources: Bloomberg; Morningstar

The Fed and Interest Rates

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

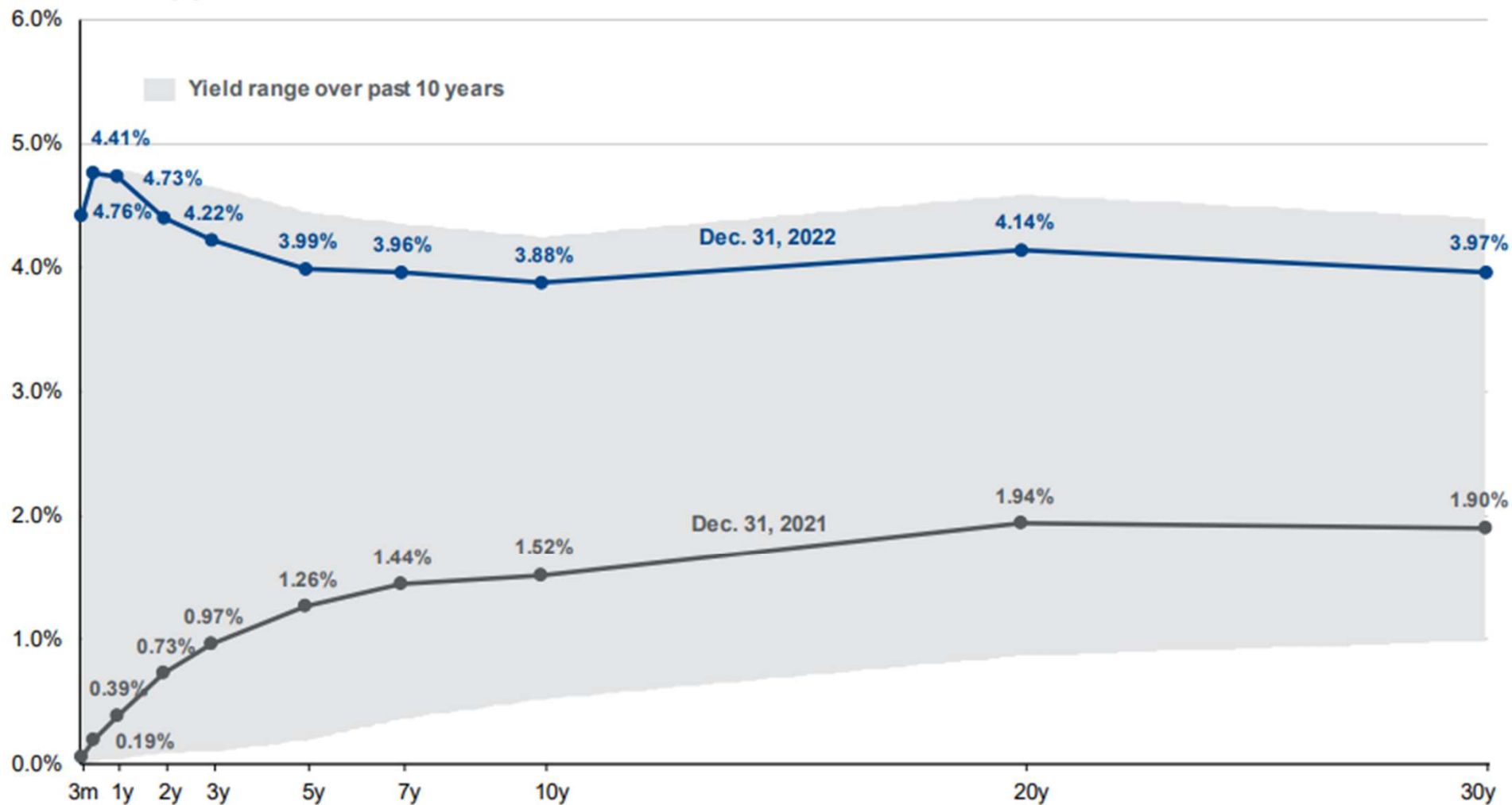


Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management

Market expectations are based off of the respective Federal Funds Futures contracts for December expiry. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. 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.

Yield Curve

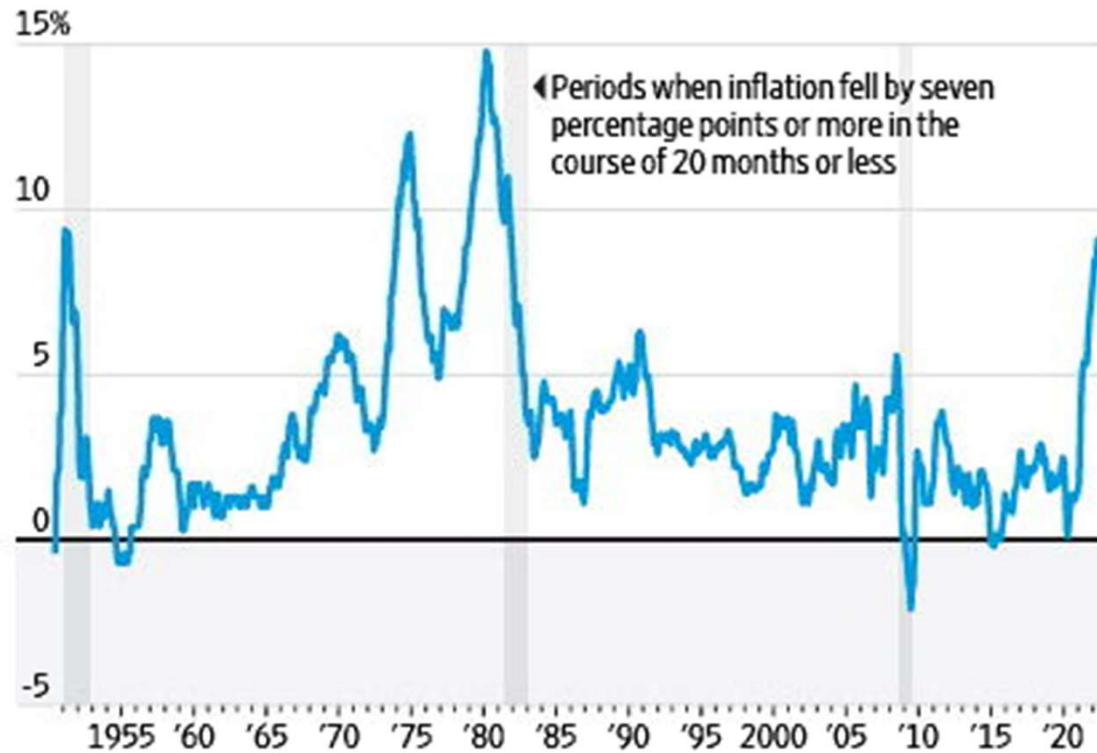
U.S. Treasury yield curve



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

Inflation

Annual CPI inflation

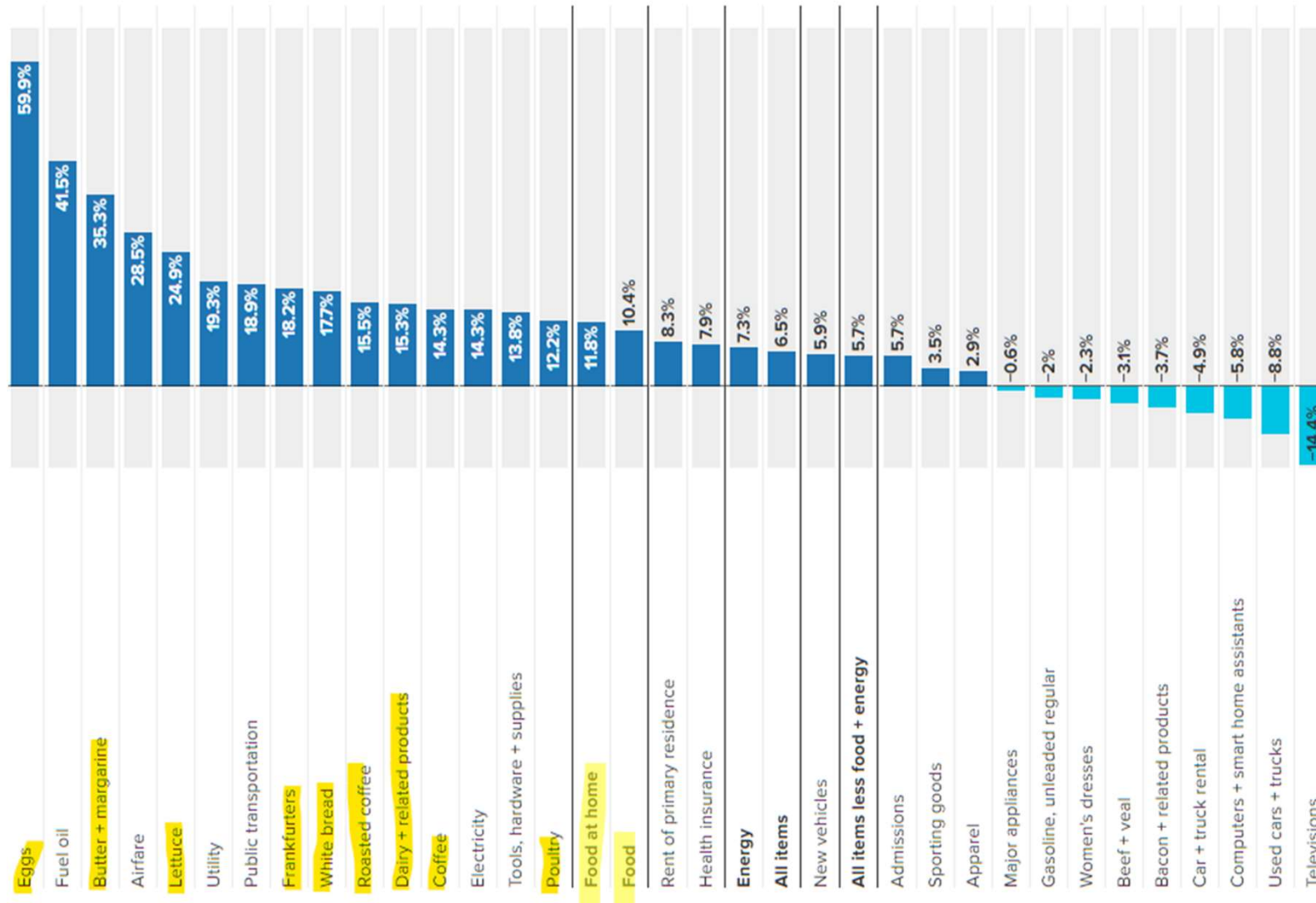


Source: WSJ analysis of Labor Department data

Makin' Groceries

Inflation breakdown for December 2022 — in one chart

These are some of the core categories, plus other items with notable year-over-year price changes.



Note: Items in bold represent major consumer price index categories.

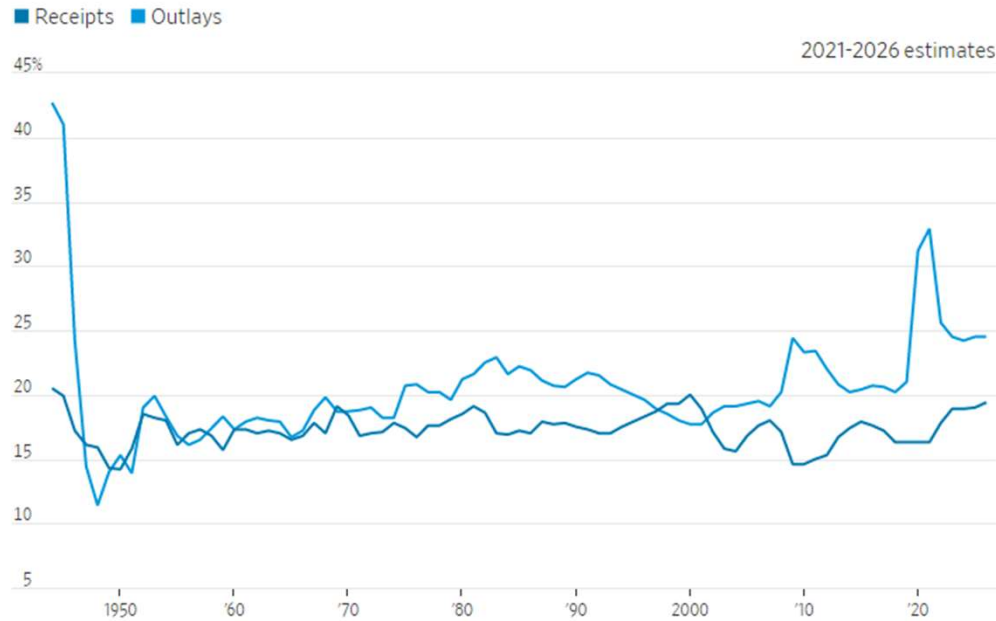
Table: Gabriel Cortes / CNBC

Source: Bureau of Labor Statistics' Consumer Price Index

Data last published Jan. 12, 2023

So Much Spending...

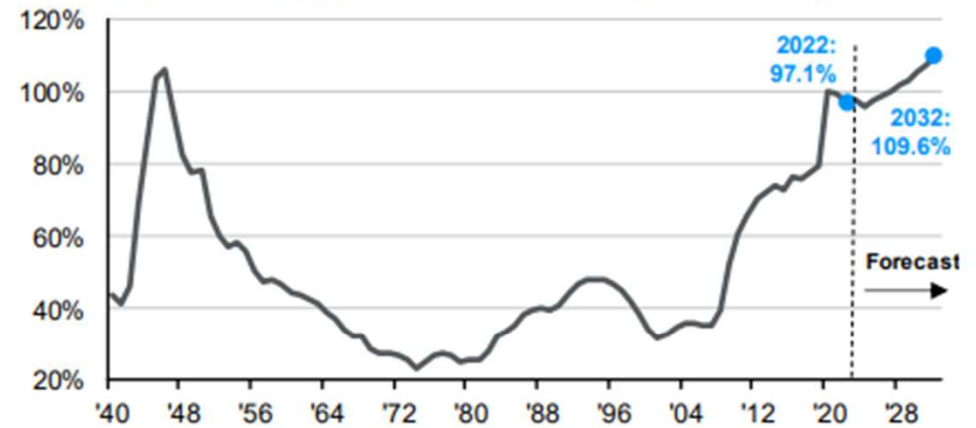
Receipts and outlays as a share of GDP, 1944-2026



Source: Office of Management and Budget
Wall Street Journal | 1 June 2021

Federal net debt (accumulated deficits)

% of GDP, 1940 – 2032, CBO Baseline Forecast, end of fiscal year

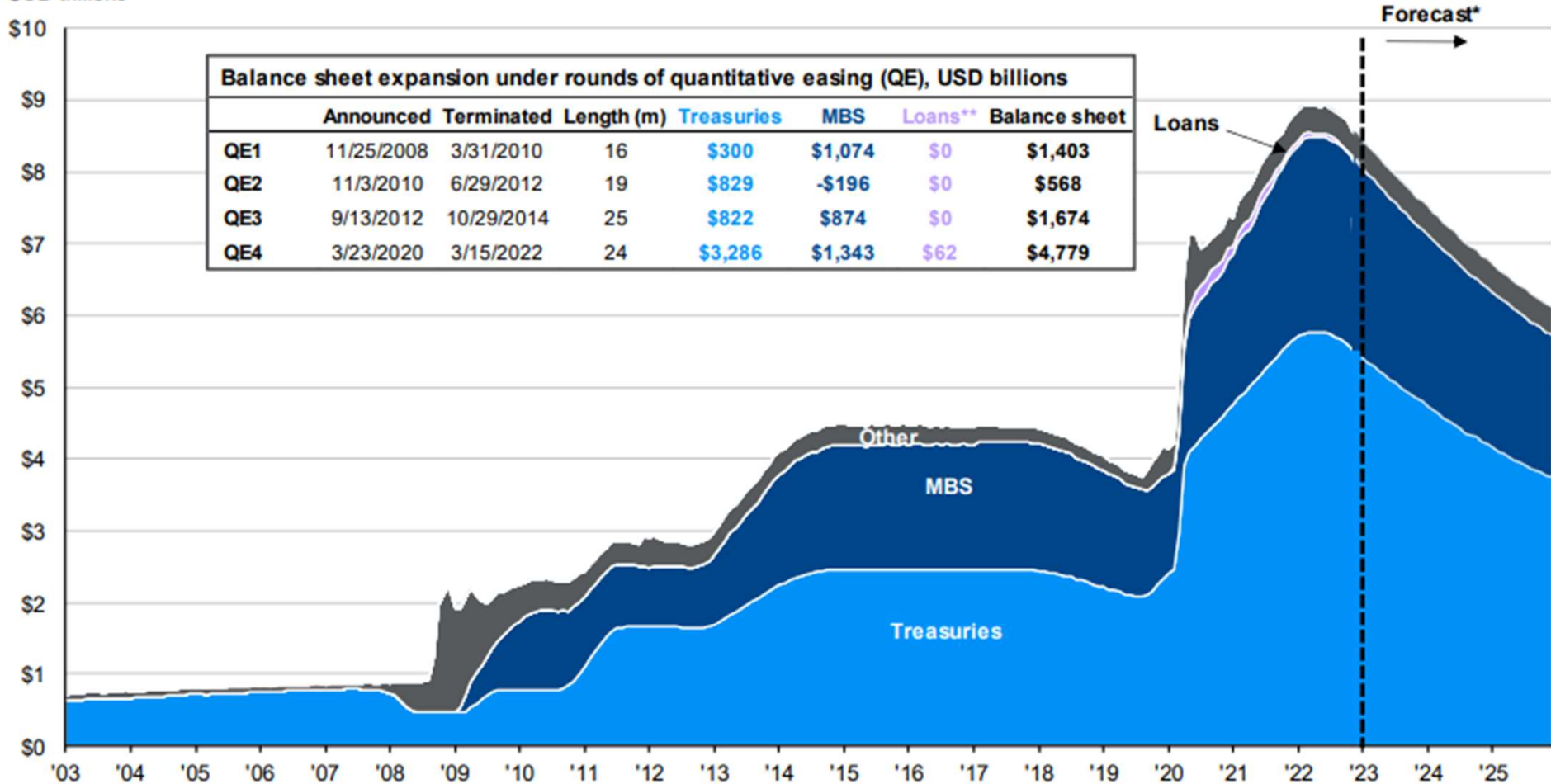


Source: CBO, J.P. Morgan Asset Management; (Top and bottom right) BEA, Treasury Department. Estimates are based on the Congressional Budget Office (CBO) May 2022 Update to the Budget and Economic Outlook. Data for fiscal year 2022 is from the CBO's Monthly Budget Review. Other spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Note: Years shown are fiscal years. 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.

Federal Reserve Balance Sheet

The Federal Reserve balance sheet

USD trillions

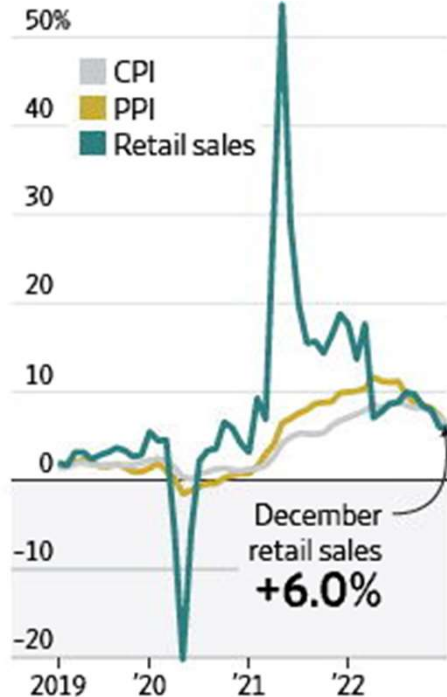


Source: FactSet, Federal Reserve, J.P. Morgan Investment Bank, J.P. Morgan Asset Management

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.

Consumer Spending & Finances

U.S. retail sales vs. consumer- and producer-price indexes, change from a year earlier

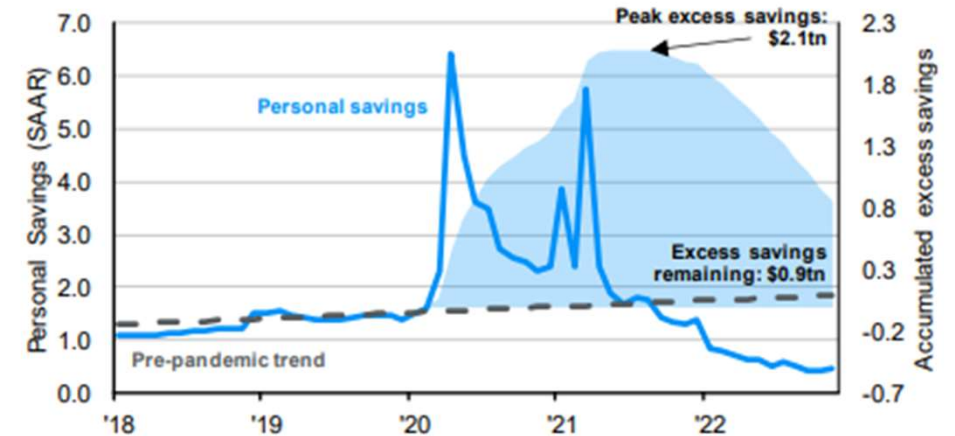


Wall Street Journal | 19 January 2023



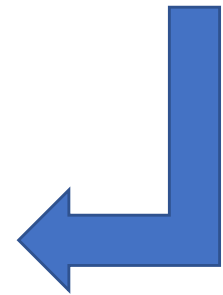
Household excess savings

Trillions of USD



Household debt service ratio

Debt payments as % of disposable personal income, SA

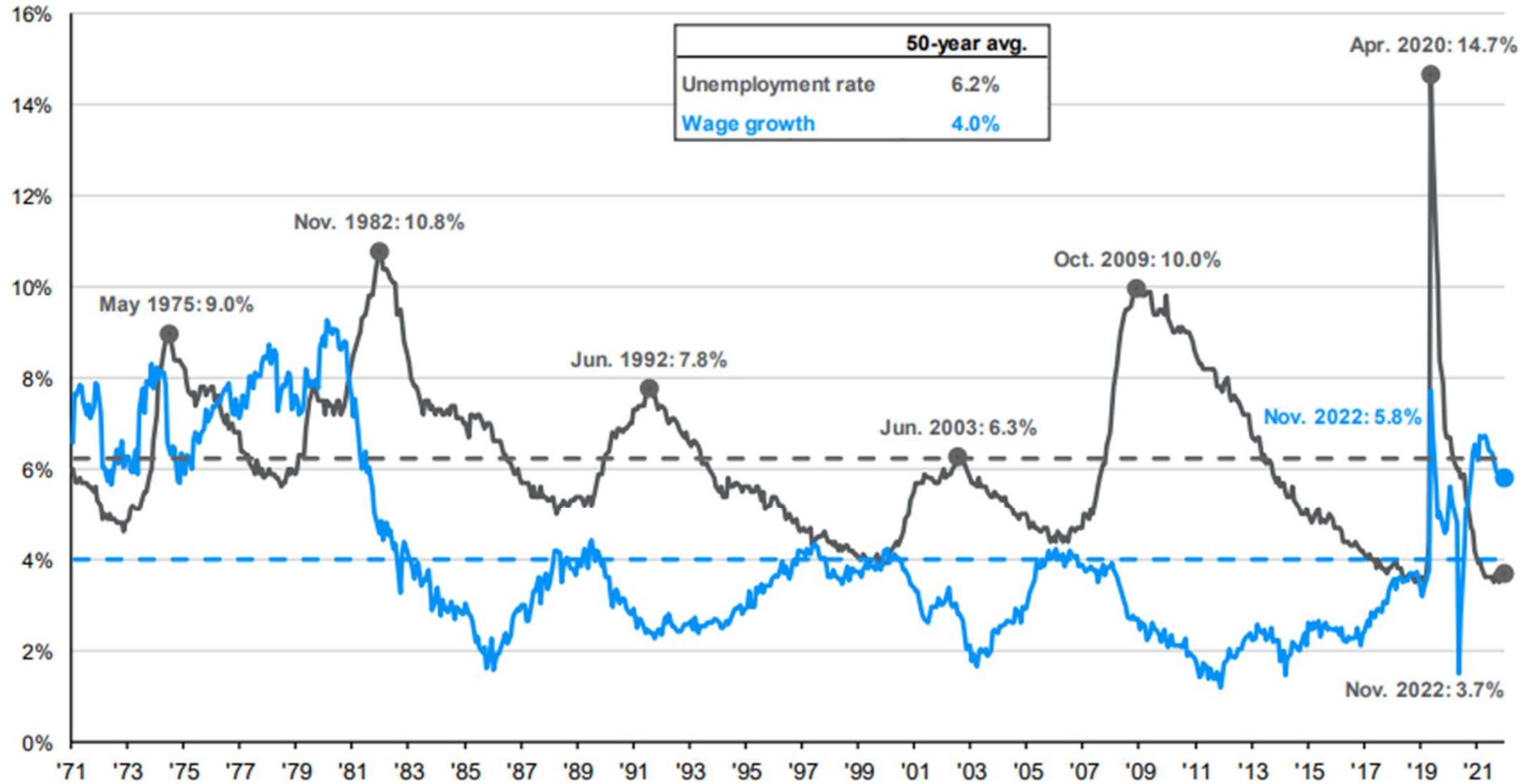


Graphs: Household excess savings and Household debt service ratio
 Source: FactSet, FRB, J.P. Morgan Asset Management, BEA.
 Data include households and nonprofit organizations. SA – seasonally adjusted. **4Q22 figures for debt service ratio are J.P. Morgan Asset Management estimates. From March 2020 to August 2021, consumers amassed a peak \$2.1 trillion in excess savings relative to the pre-pandemic trend. Since August 2021, consumers have drawn down on those excess savings, with the remaining reflected in the chart annotation.

Unemployment and Wages

Civilian unemployment rate and year-over-year wage growth

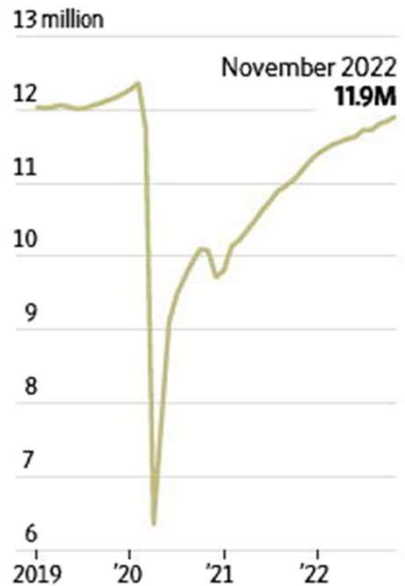
Private production and non-supervisory workers, seasonally adjusted, percent



Source: BLS, FactSet, J.P. Morgan Asset Management.

Rising Wages

Number of employees working in restaurants and bars



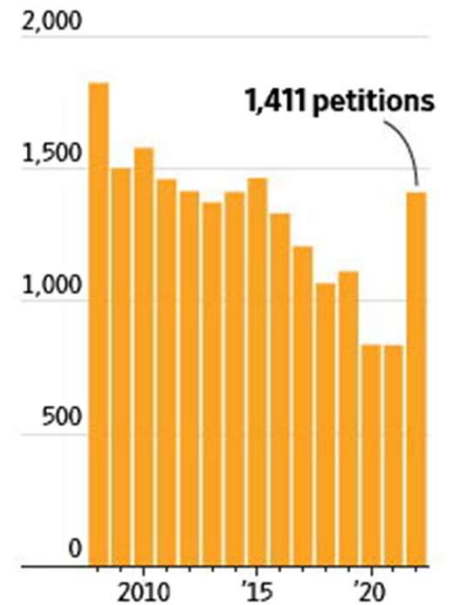
Average hourly wage of restaurant workers



Note: Seasonally-adjusted data; October and November 2022 are preliminary
Source: Labor Department

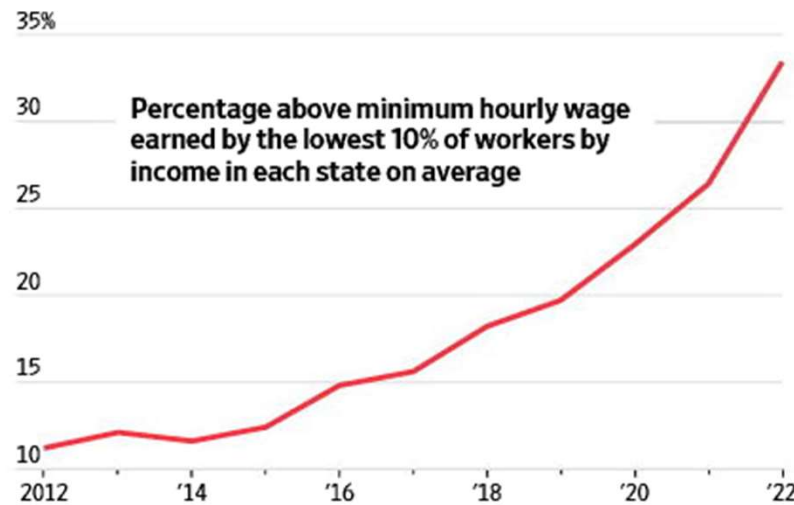
Wall Street Journal | 27 December 2022

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



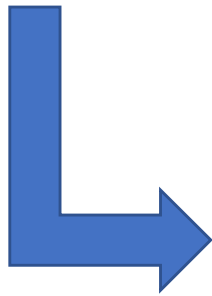
Note: 2022 is through September. Includes all states and D.C.
Source: Minimum wages compiled by Labor Department; wage estimates from MIT's Nathan Wilmers
Wall Street Journal | 31 December 2022

Sinking Shipping Rates

Drewry's World Container Index tracking spot rates

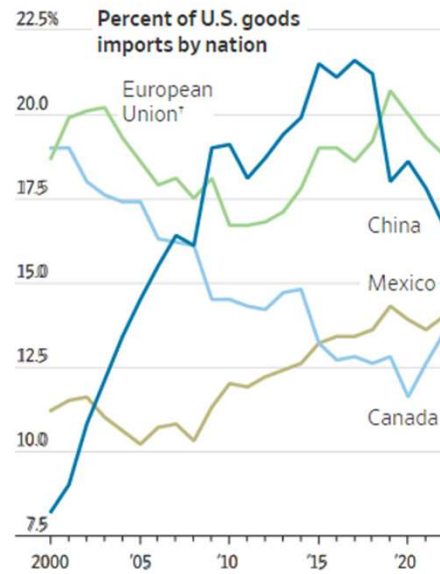


Source: Drewry Shipping Consultants
Wall Street Journal | 31 December 2022



China Slide

Share of U.S. imports. Supply-chain shifts since the 2018 Trump tariffs and the Covid pandemic have cut into China's numbers.*

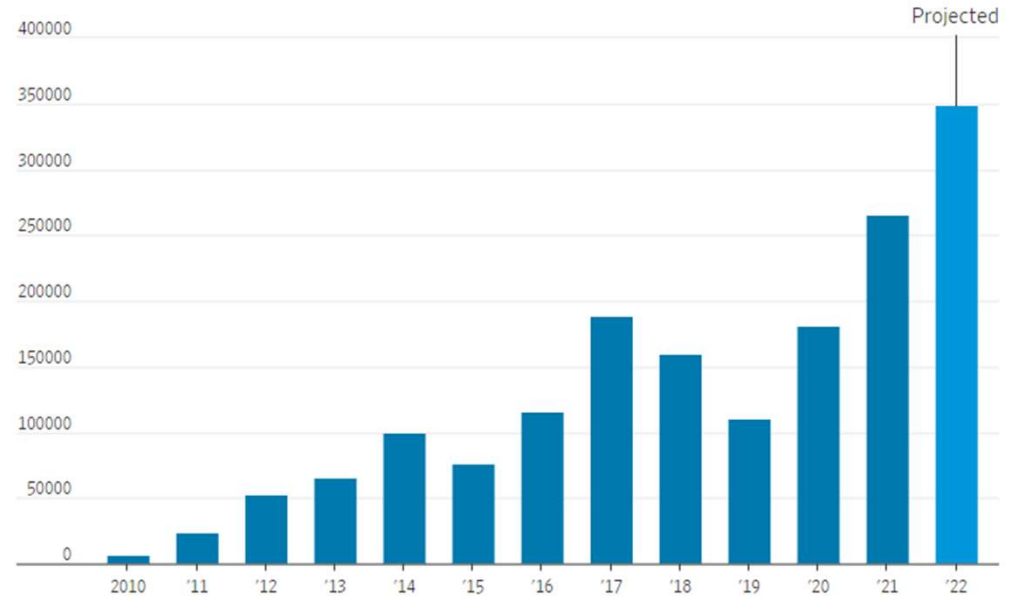


*2022 data through November
*European Union reflects current members plus U.K.
Source: Census Bureau

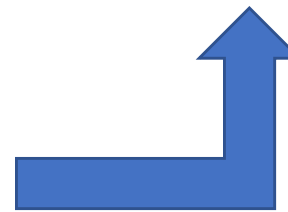
Wall Street Journal | 17 January 2023

Reshoring

Number of job announcements per year

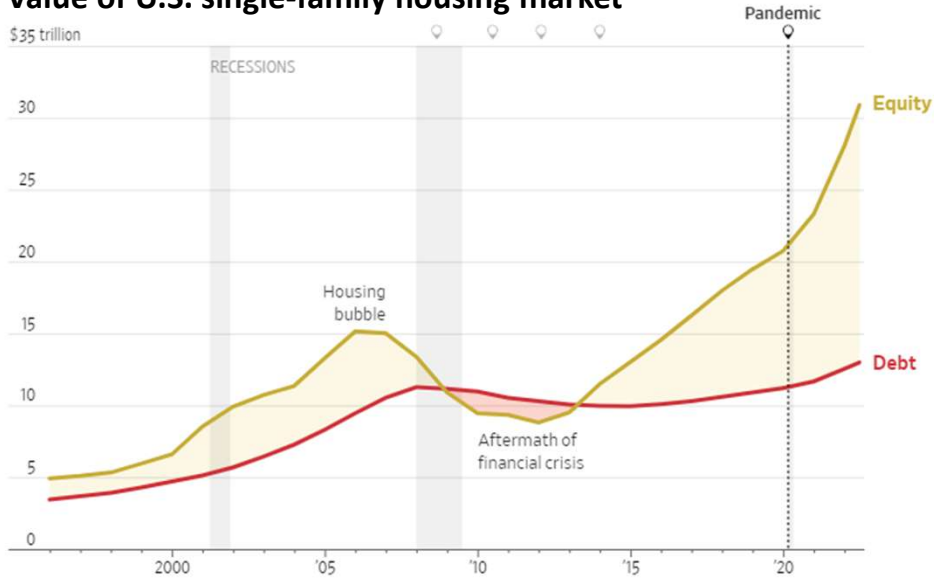


Source: Reshoring Initiative
Wall Street Journal | 20 August 2022



Housing Market

Value of U.S. single-family housing market



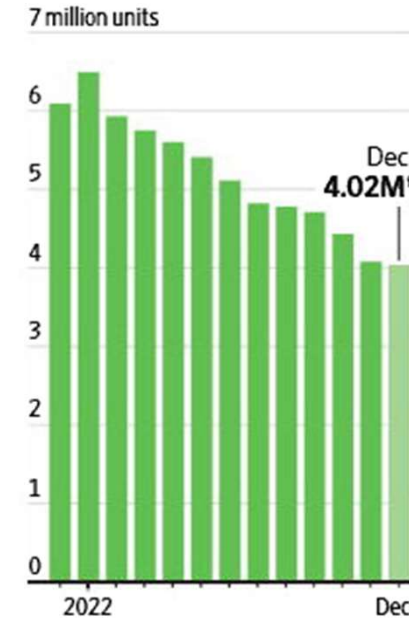
Note: Single-family data includes one- to four-family homes with mortgages. Home equity is calculated from value of household and nonfinancial business sector.

Source: Urban Institute

Peter Santilli/THE WALL STREET JOURNAL

Wall Street Journal | 17 December 2022

U.S. existing-home sales*



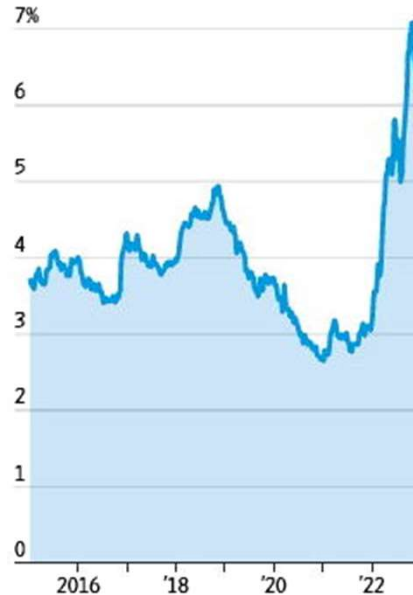
Median existing-home price



*Seasonally adjusted annual rate †Preliminary
Source: National Association of Realtors

Wall Street Journal | 21 January 2023

Average rate on a 30-year fixed mortgage



Source: Freddie Mac via St. Louis Fed

Wall Street Journal | 21 January 2023

King Dollar

The U.S. dollar

U.S. Dollar Index



Source: J.P. Morgan Asset Management; (Left) FactSet, ICE; (Top right) Bureau of Economic Analysis, FactSet; (Bottom right) Tullett Prebon. Currencies in the DXY Index are: British pound, Canadian dollar, euro, Japanese yen, Swedish krona and Swiss franc. *Interest rate differential is the difference between the 10-year U.S. Treasury yield and a basket of the 10-year yields of each major trading partner (Australia, Canada, Europe, Japan, Sweden, Switzerland and UK). Weights in the basket are calculated using the 10-year average of total government bonds outstanding in each region. Europe is defined as the 19 countries in the euroarea.

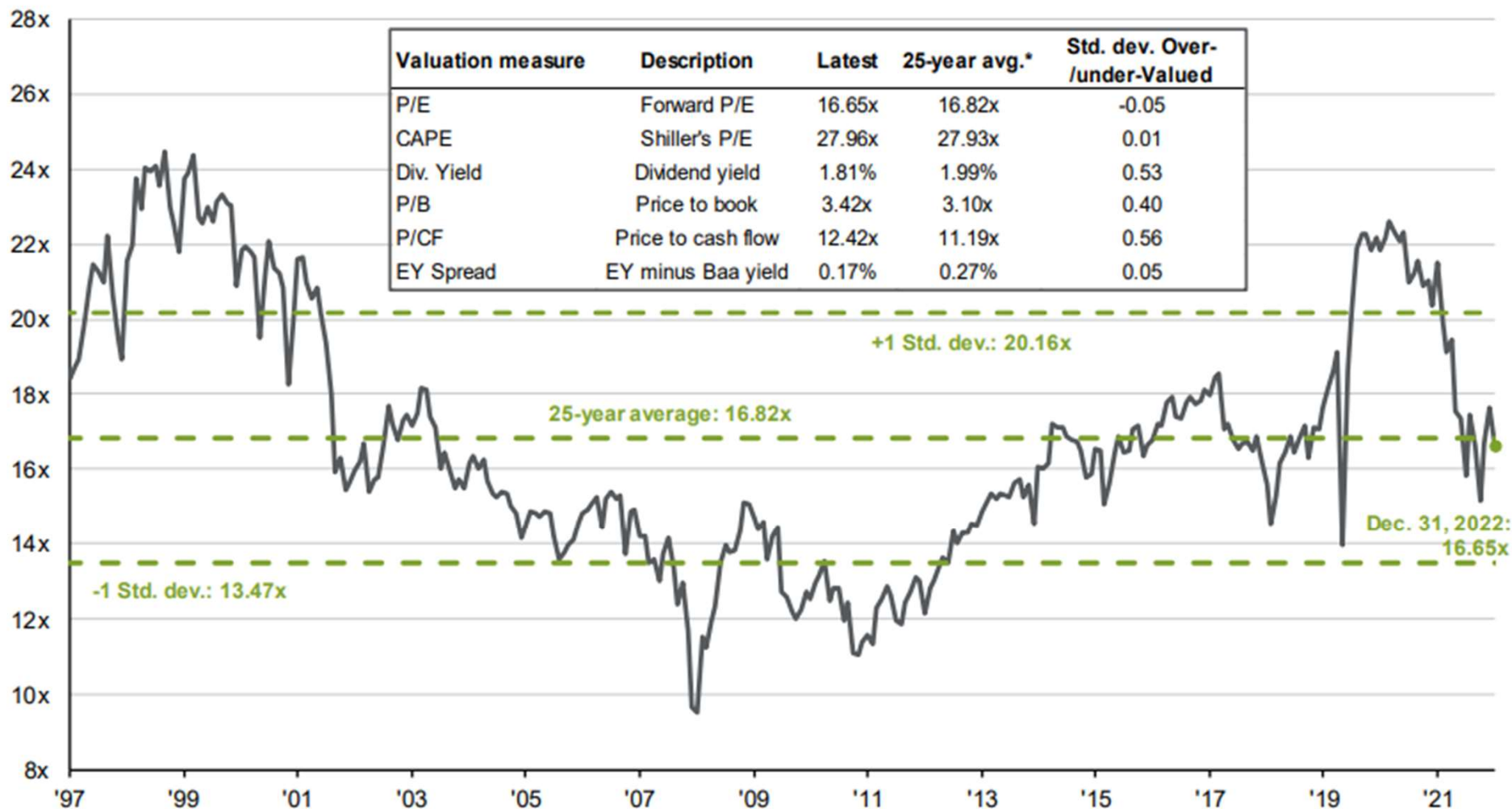
“People have predicted the dollar’s demise every year
—for the past 40 years.”

— Jens Nordvig

Barron's | 16 September 2022

S&P 500 Valuation Measures

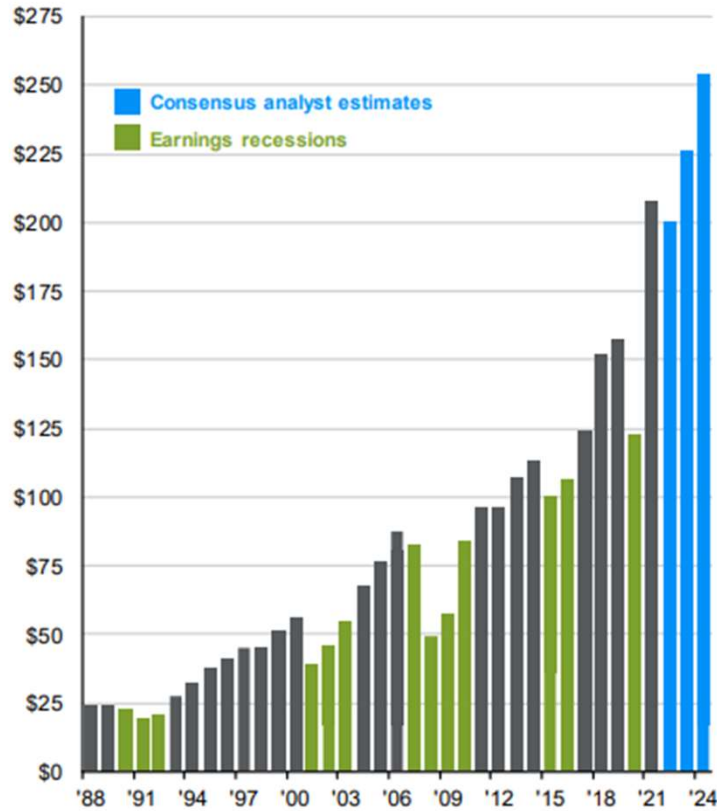
S&P 500 Index: Forward P/E ratio



Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management
 Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since December 1997 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are \$231. Average P/E and standard deviations are calculated using 25 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. *P/CF is a 20-year average due to cash flow availability.

Earnings

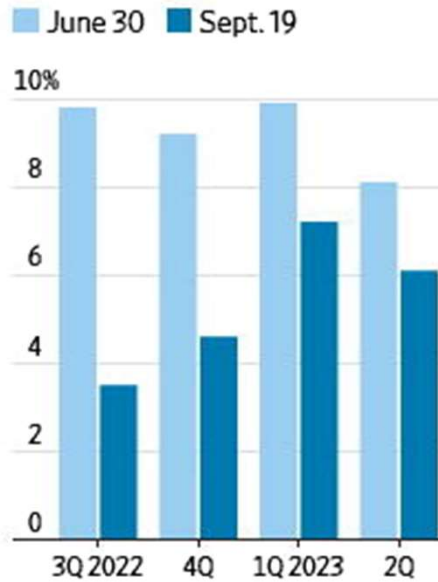
S&P 500 earnings per share
Index annual operating earnings



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management. Historical EPS levels are based on annual operating earnings per share. Earnings estimates are based on estimates from Standard & Poor's and FactSet Market Aggregates. *Earnings and multiple growth are both year-to-date percent changes of next 12-month estimates. Past performance is not indicative of future returns.

J.P. Morgan Asset Management Guide to the Markets | 1Q 2023 as of 31 December 2022

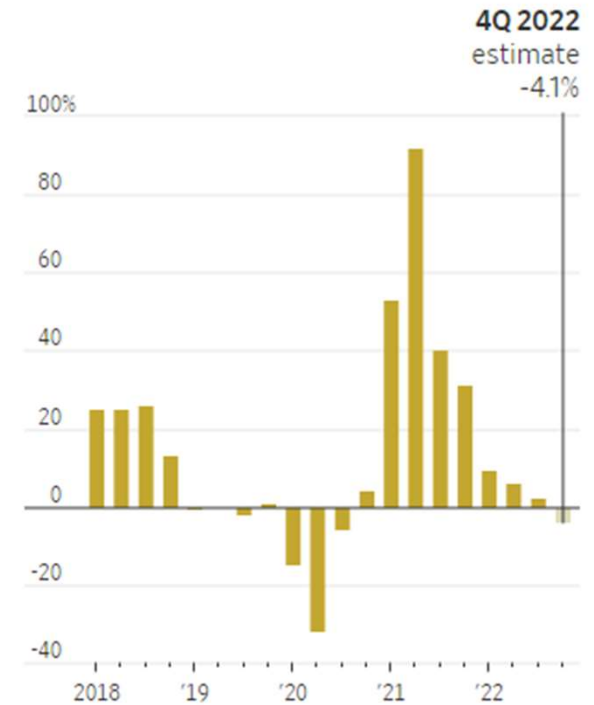
S&P 500 quarterly earnings growth, by date of estimate



Source: FactSet

Wall Street Journal | 21 September 2022

S&P 500 quarterly earnings, change from a year earlier

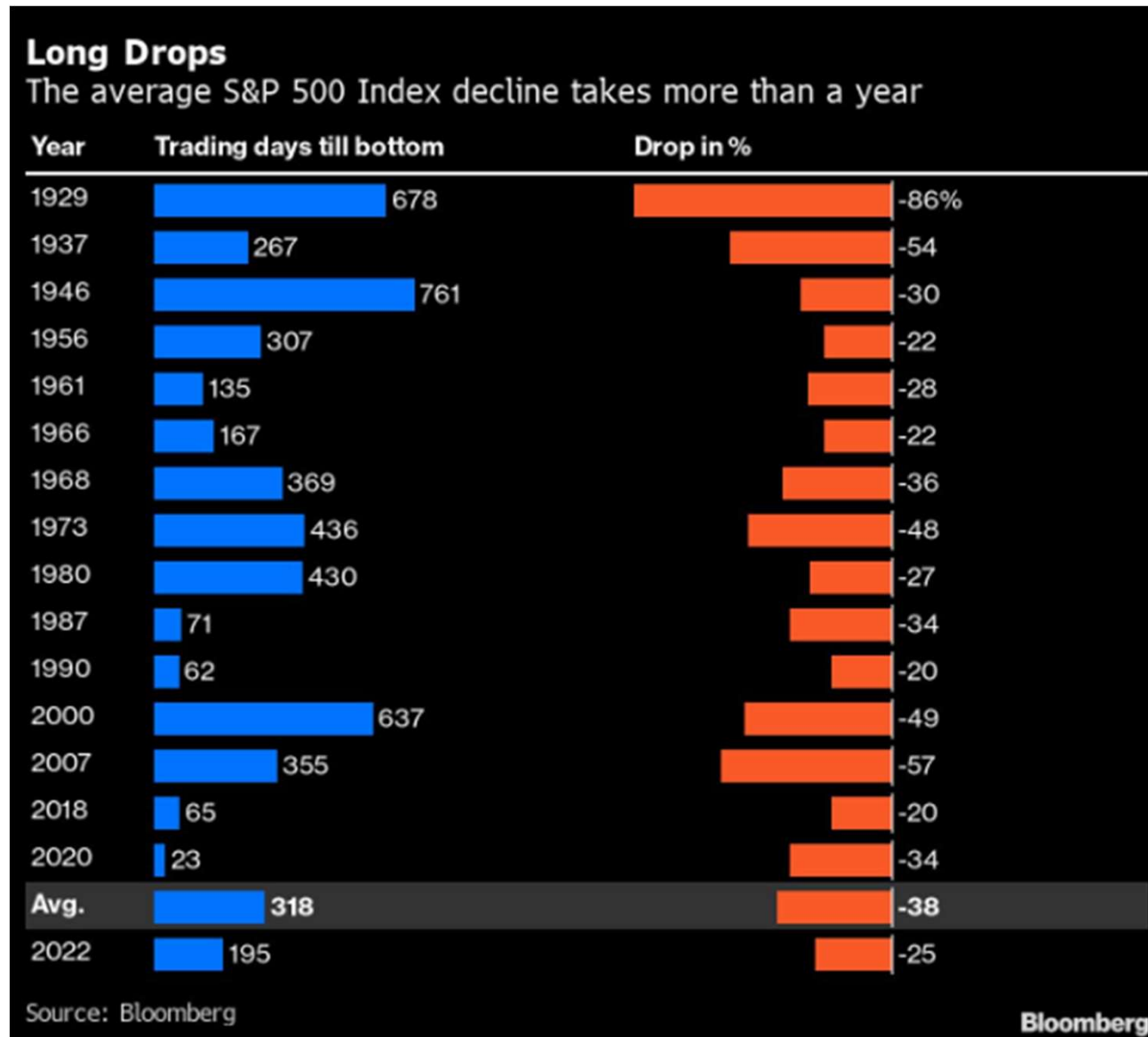


Note: 4Q 2022 earnings growth based on estimates. As of Jan. 6, 2023.

Source: FactSet

Wall Street Journal | 8 January 2023

Long Drops

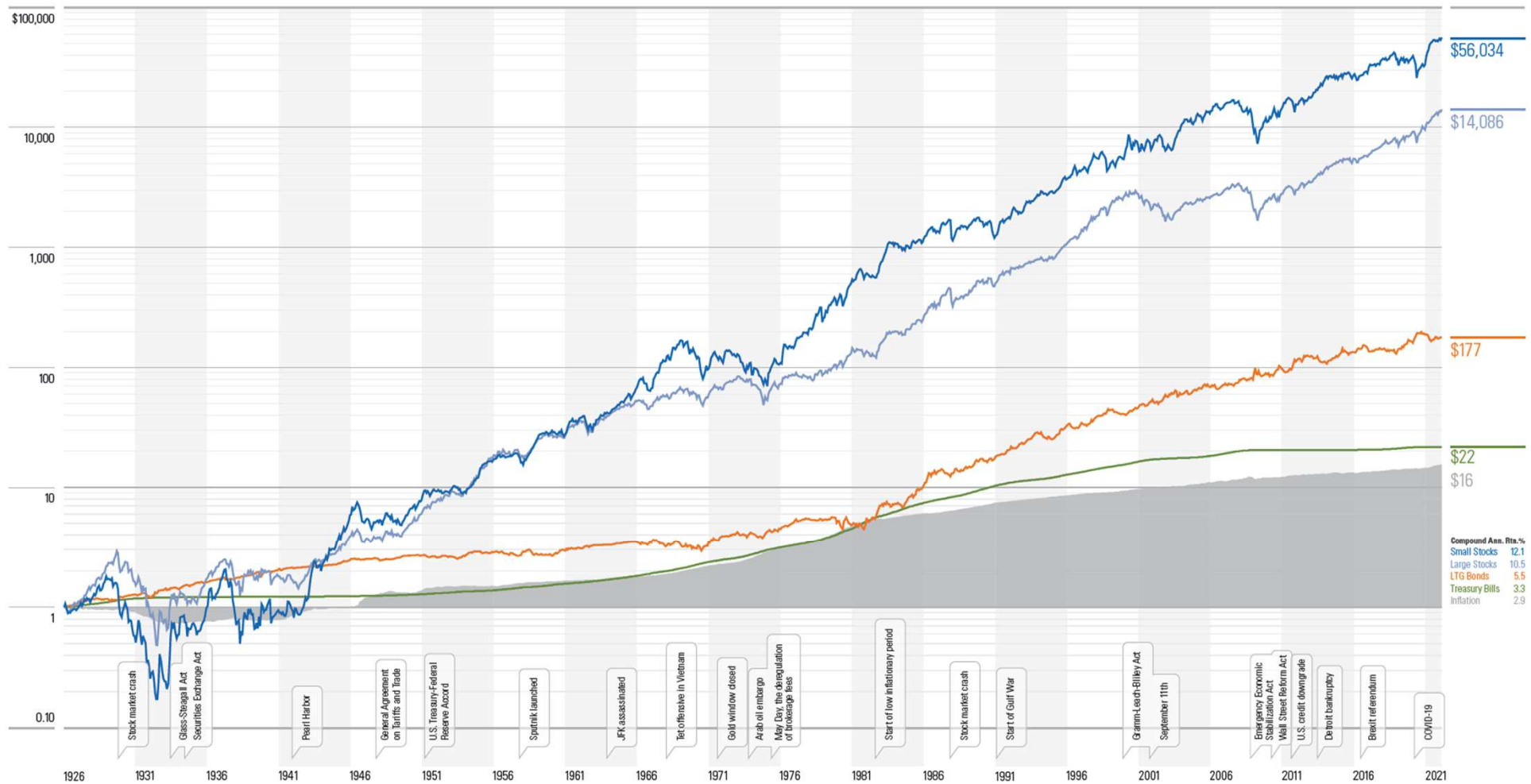


Financial Advisor | 17 October 2022

Stocks, Bonds, Bills, and Inflation

Ibbotson® S&P®

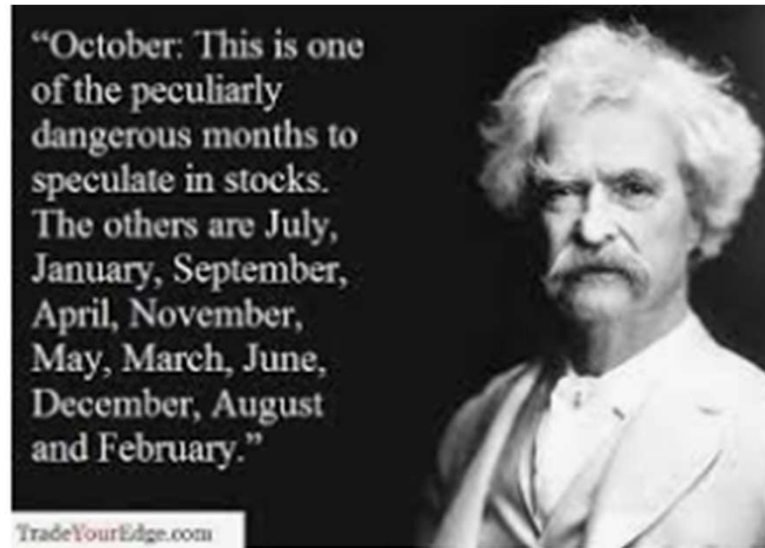
Stocks, Bonds, Bills, and Inflation January 1926–December 2021



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 S&P 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.



Quotes

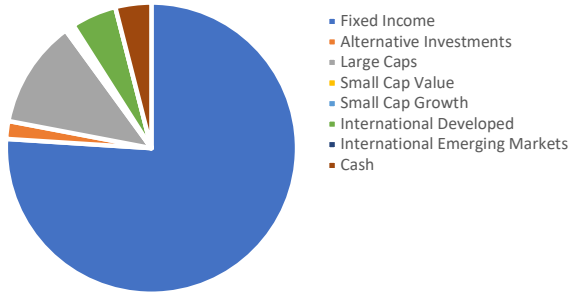


--- Mark Twain

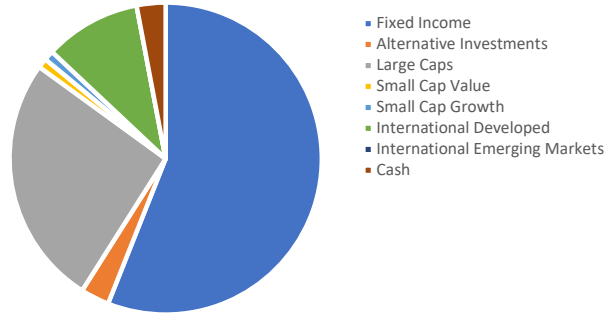


Risk Based Models

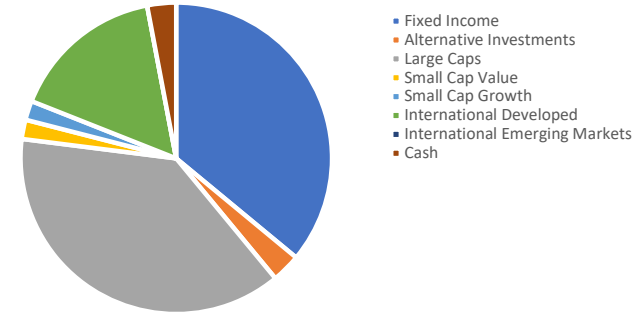
CONSERVATIVE MODEL



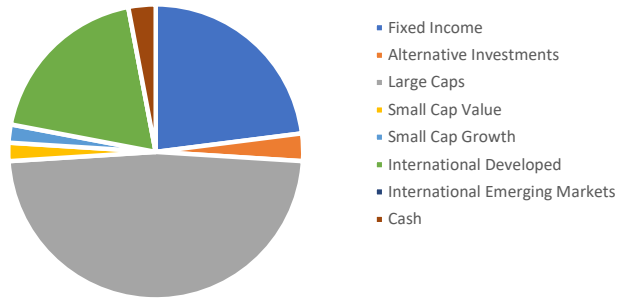
MODERATE CONSERVATIVE MODEL



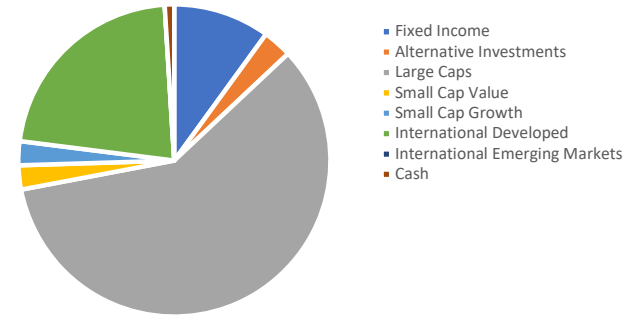
MODERATE MODEL



MODERATE AGGRESSIVE MODEL



AGGRESSIVE MODEL



Allocation Models	Conservative	Mod Conservative	Mod	Mod Agg	Agg
Fixed Income	76	56	36	23	10
Alternative Investments	2	3	3	3	3
Large Caps***	12	26	38	48	59
Small Cap Value	0.5	1	2	2	2.5
Small Cap Growth	0.5	1	2	2	2.5
International Developed	5	10	16	19	22
International Emerging Markets	0	0	0	0	0
Cash	4	3	3	3	1
Totals	100	100	100	100	100

Wrap-Up & Housekeeping

- Required Minimum Distribution (RMD) Age Increased
 - Now 73
- IRA & 401(k) Contribution Limits Increased
 - \$6,500 under age 50
 - \$7,500 age 50 or older
 - \$22,500 for 401(k), 403(b), most 457 plans, & Thrift Savings Plan
 - \$15,500 for SIMPLE retirement plans
- Has your contact info changed?
- Transfer on Death (TOD) Account(s) Beneficiaries
 - Do you have beneficiaries on file with us? Are they current?
- 2022 Tax Statements – mail outs complete by March 15th
- Longo Group Website
 - Visit the News & Insights section for weekly market recaps, chart books, events, presentations, and more!
www.longogroup.net

Quotes



--- Winston Churchill



--- Winston Churchill

Questions?
