MARKET **BROKER**

Sector Focus

2022 4th Quarter Outlook

Markets have stabilised a little bit over the past three months, but for investors, this year has been a complete disaster, with both government bonds and stocks reporting negative returns. Investors are nonetheless concerned about high prices, sluggish GDP, and the possibility of a recession brought on by an aggressive Fed.

There isn't a lot of good news to report right now, but the fact that investors are feeling quite pessimistic is consoling. Our composite sentiment index, which uses a variety of technical, positional, and survey indicators to gauge investor mood for the S&P 500® Index, is almost two standard deviations oversold. This, in our opinion, offers some comfort that the markets have thus far taken the terrible news into consideration.

U.S. - Even while it's too soon to say that a recession will be the most likely outcome for the US economy in 2023, we think the likelihood is growing. The inverted Treasury yield curve, which shows the biggest negative difference between 10-year and 2-year yields in 40 years, is the key cautionary sign. Some of the leading indicators for the US economy, such as the new orders index from the Institute for Supply Management, have weakened. The Fed's primary metrics, such as payrolls and wages, are still in overbought territory. These labour market movements typically lag behind the general economy. The Fed running the danger of tightening more when the economy deteriorates as a result. We continue to believe that the US will experience a soft or softish landing, and we anticipate that robust household and business finances will be able to keep the downturn to, at most, a light recession.

Europe - There will be a difficult winter in Europe. Rising energy prices will reduce consumer spending and industrial production, and persistently high inflation will probably result in further ECB tightening (ECB). It's unlikely that the region will avoid experiencing at least a moderate recession given that the Russia-Ukraine war isn't any closer to being concluded and that indicators of industrial production are starting to decrease in reaction to rising energy costs.

U.K. - The economic crisis is already well under way in the UK. The second quarter's gross domestic product (GDP) growth was negative, and the third quarter's economic contraction is most expected. The Bank of England's rigorous 2% inflation target suggests that additional rate hikes are forthcoming despite the slowing economy and the August inflation rate of 9.9%.

China - Although China's economy is still struggling, there has been some modest stimulation. According to our analysis, growth should resume once China's COVID-19 lockdowns are lifted, hopefully by the beginning of next year.

Japan - Some investors in Japan are now questioning the Bank of Japan's (BOJ) dedication to accommodating policies. But for the time being, we think the bank will continue to regulate the yield curve. Importantly, the majority of inflation gauges are still running well below the BOJ's 2% objective, the yen's increase in import costs is probably a passing trend, and wage growth is still only moderate.

Australia - Due to Australia's high proportion of variable rate mortgages, the housing market is directly impacted by increases in interest rates at the central bank. The Reserve Bank of Australia's cash rate is predicted by the market to peak at 4% in the middle of 2023.

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Market Broker International offers a wide array of personal trust, planning, fiduciary, asset management, private banking, and family office services designed to help high-net-worth individuals and families grow, preserve, and transfer wealth. Market Broker International focuses on High-Net worth Individuals with whom it can build long-term relationships, many of which span multiple generations.

Market Broker International also provides Corporate and Institutional Services for clients around the world.

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