



# First Quarter Market Outlook

It was a tough year for investors in 2022, with both stocks and bonds experiencing their first annual declines in decades. The combination of high inflation, a series of interest rate hikes by the Federal Reserve, and geopolitical turmoil all weighed on asset prices. But as we enter 2023, there are signs that some of these headwinds may be easing.

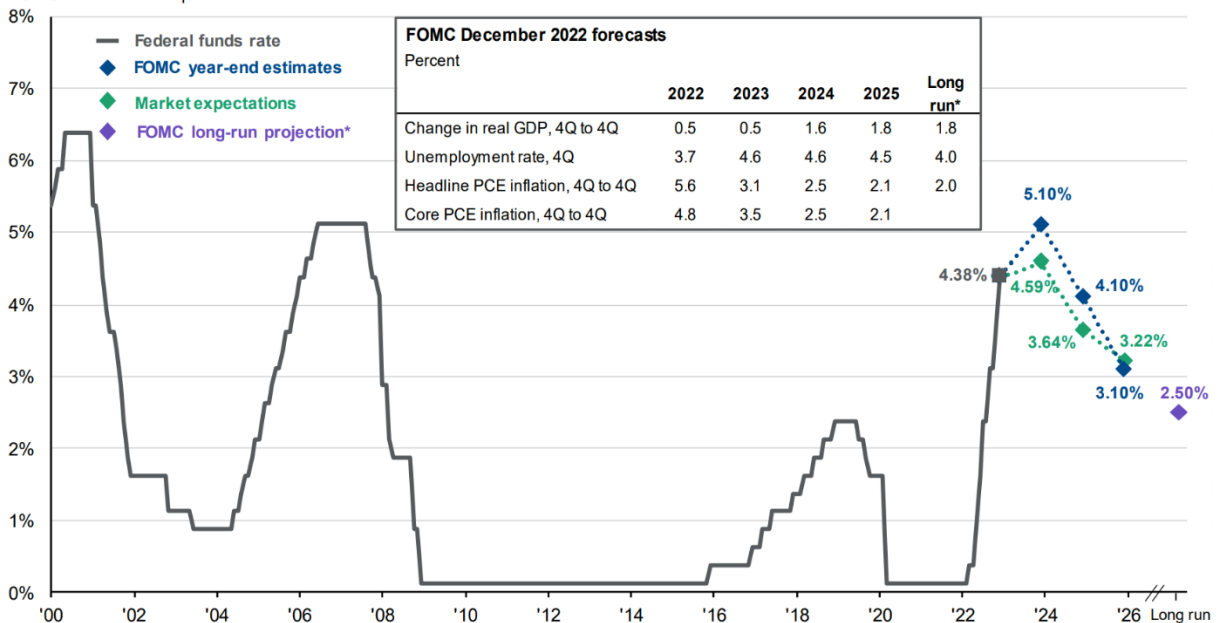
Inflation, for example, appears to have peaked and is now on the decline. The Consumer Price Index fell from 9.1% in June to 7.1% in November, and other measures of inflation have also seen similar drops. While inflation is still high by historical standards, a faster-than-expected easing of price pressures could provide a boost to markets in the early months of the year.

Additionally, the Federal Reserve's rate hike campaign, which was especially aggressive in 2022, is likely coming to an end. In December, the Fed signaled that it expected the peak interest rate to be only 75 basis points higher than the current rate, a level that could be reached in the first few months of 2023. This will remove a significant burden on asset prices.

## 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.

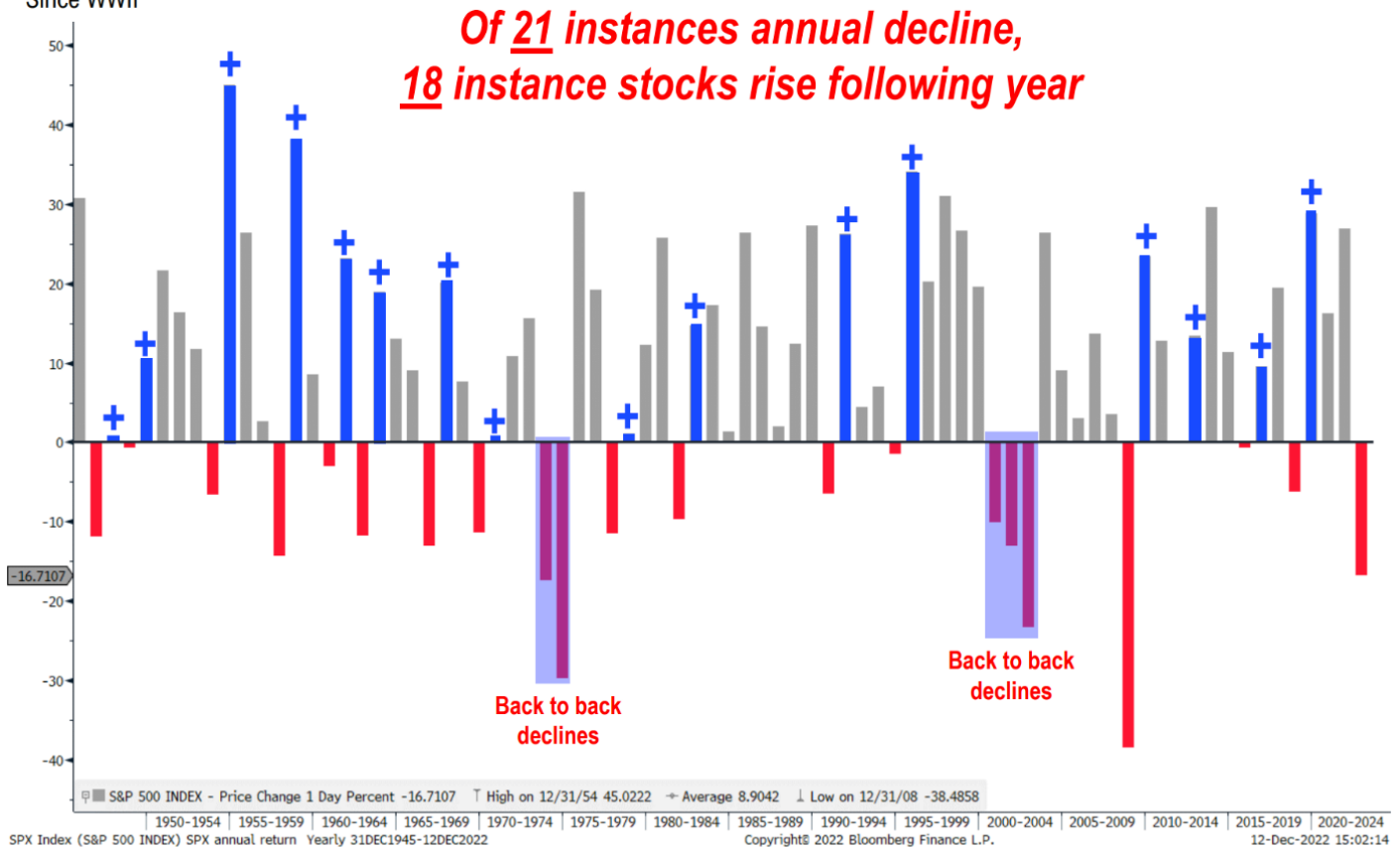
Finally, while both economic growth and corporate earnings are expected to decline in 2023, these negative expectations likely, at least in part have been factored into the prices of stocks and bonds. If the economy or corporate America proves to be more resilient than anticipated, this could provide a lift to markets.

It's worth remembering that market declines of the magnitude we saw in 2022 have often been followed by strong recoveries. The S&P 500, for instance, hasn't had two consecutive negative years since 2002, and the Bloomberg U.S. Aggregate Bond Index has never experienced two consecutive negative years. Market declines also tend to create long-term opportunities for investors.

The stagflation of the 1970s and the high-interest rates of the 1980s were eventually followed by a strong economic expansion and market rally in the 1980s. The dot-com bubble burst of the early 2000s was followed by substantial market gains into the mid-2000s. And even the financial crisis, one of the most severe economic events in modern history, was followed by market rallies. Similarly, the worst global pandemic in over 100 years didn't result in sustained lower asset prices.

## 2023: Rare to see two consecutive annual declines

Annual S&P 500 Price Return  
Since WWII



Source: Fundstrat, Bloomberg

At OCM Private Wealth, we understand the risks facing both the markets and the economy, and we are committed to helping our clients navigate this challenging investment environment. A thoughtful, long-term-focused, and diversified financial plan can weather virtually any market surprise and related volatility, including high inflation, historic interest rate hikes, geopolitical unrest, and rising recession risks. While we are prepared for continued market volatility, we believe that a long-term perspective is key to successful investing.

It is critical to stay invested, remain patient, and follow the plan that we have developed specifically for you based on your financial situation, risk tolerance, and long-term goals. We are constantly monitoring potential threats to your investments and the economy, and we deeply appreciate your faith in us. Please know that our team is fully dedicated to supporting you and helping you successfully navigate this challenging market.



**Jason A. Tosh, CFP®**  
OCM PRIVATE WEALTH



**Ryan S. Watt, CFP®**  
OCM PRIVATE WEALTH



OBJECTIVE  
CAPITAL  
MANAGEMENT

**OBJECTIVE CAPITAL MANAGEMENT**

401 North Michigan Avenue, Suite 650, Chicago, Illinois 60611

[www.ocmwealth.com](http://www.ocmwealth.com)

*OBJECTIVE CAPITAL MANAGEMENT LLC is an SEC registered investment adviser. Information presented is for a broad audience. The information does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and are not guaranteed. OBJECTIVE CAPITAL MANAGEMENT LLC has reasonable belief that this marketing does not include any false or material\* misleading statements or omissions of facts regarding services, investment or client experience. OBJECTIVE CAPITAL MANAGEMENT LLC has reasonable belief that the content as a whole will not cause an untrue or misleading implication regarding the adviser's services, investments or client experiences. Please refer to our ADV Part 2A for material risks disclosures. Past performance of specific investment advice should not be relied upon without knowledge of certain circumstances of market events, nature and timing of the investments and relevant constraints of the investment. OBJECTIVE CAPITAL MANAGEMENT LLC has presented information in a fair and balanced manner. OBJECTIVE CAPITAL MANAGEMENT LLC may discuss and display, charts, graphs, formulas and stock picks which are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Such charts and graphs offer limited information and should not be used on their own to make investment decisions. Consultation with a licensed financial professional is strongly suggested. The opinions expressed herein are those of the firm and are subject to change without notice. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Any opinions, projections, or forward-looking statements expressed herein are solely those of author, may differ from the views or opinions expressed by other areas of the firm, and are only for general informational purposes as of the date indicated.*