BROKERAGESELECT NEWSLETTER

Taxes

Inflation will significantly widen the tax brackets next year meaning you can have higher income and still stay in your current bracket. If possible, It makes sense to postpone income to next year.

Gifting

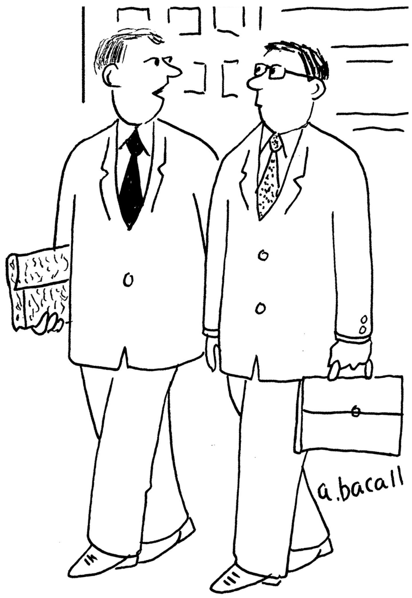
The annual gift-tax exclusion is $16,000 per person this year to multiple recipients and $17,000 in 2023. Married couples can give $32,000 in 2022. With the markets down, gifts of securities have solid appreciation prospects for the next generation.

Health Insurance

With the changing landscape of work, many people need to look for their own health insurance. COBRA if you just left a job, High Deductible Plans, ACA Act Exchanges, Medicaid are all options to consider based on need and income. **One of our partners, Cara Lovenson at https://planprofessionals.com/health-insurance/ can help.**

Perspectives

The markets have bounced following a lousy September on the heels of corporate earnings, steady employment and an October CPI that showed inflation may be cooling. Both stocks and bonds have had big daily swings as money flows react to each piece of economic data. First, let's look at the 3rd quarter earnings. According to FactSet, with 91% of S&P500 firms reporting, earnings grew 2.2%. Profit growth has certainly slowed. Based on the numbers, 69% of companies reported earnings that beat expectations and 71% had revenues that surprised to the upside. This earnings season did better than many feared. Earnings reports are "rear-view" sets of data. Many companies issued guidance for this quarter's numbers. Of those S&P500 companies that announced guidance, 52 issued a negative outlook while only 25 think this quarter will be better than previously forecasted. This seems to be saying that while the 3rd quarter held in, the 4th quarter will be impacted by inflation and the general economic slow-down. FactSet is forecasting 2022 S&P500 profits at $221. With the S&P500 index at $3,993, the price-to-earnings ratio (P/E) is just over 18. Next year, the forecast is for $232.51 in profits, putting the 2023 P/E at 17.2. The 5 and 10-year averages for forward P/E are 18.5 and 17.1, respectively. On a historical basis, the stock market doesn't seem expensive but it is not cheap either. The P/E, has come down from about 23 at the end of 2020. The latest CPI report showed a moderation in price increases. Inflation is the key to get market factors to improve. If inflation continues to moderate, the Fed can ease up on rate increases, removing the fear that the Fed will raise rates to the point where the economy will be pushed into a deep recession. If rates can ease or stay flat, and the economic prospects improve, P/E ratios can hold steady or possibly expand. The market will need to see a few months of declining inflation before the current rally can be sustained. Having said that, markets tend to move ahead of news so if we really have turned the corner on inflation and recession, stock and bond prices will let us know.



"I'm flexible. I like to buy low and sell high or buy high and sell higher."

Something Else

The 2022 FIFA World Cup begins next weekend in Qatar. The energy-rich Gulf state's bid to hold soccer's biggest event has been mired in controversy. Corruption, poor working conditions for laborers building the facility, and the fact that Qatar's government is an authoritarian regime led to talk of boycotts and protests. Qatar set up a compensation fund for exploited workers. Nevertheless the first World Cup in the Middle East will go on.

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Out Of The Box

Continuing our look at company profits, FactSet indicated that real estate (REITs) saw plus-10% profit growth. That's a solid performance. Hotel and industrial REITs led as the trends for more travel and high demand for warehouses to support faster product delivery provided strong tailwinds. Despite the earnings, stock prices for REITs have been hurt by rising rates and fears of recession. The dividend yields are historically high for many REITs. Some REITs in the hotel space have not yet increased their dividends to pre-COVID levels. If we can avert a hard-landing and interest rate pressures ease, these are opportunities for current and future returns. In addition to inflation and rates, investors will be paying close attention to COVID policy in China. This week, after a disappointing 2% growth in China GDP, there was some indication that restrictions will be lessened. If China can open up and restore some higher level of growth, the metals and materials sectors should benefit. Stock prices for these highly economically sensitive companies have been hurt by global recession fears. Securities prices move on change. Whether this is a change in sentiment, change in earnings forecasts or a change in rates, investments react. The change doesn't have to be from bad to good to move prices. If the situation just goes from bad to less-bad, it will be viewed by investors as positive. A mistake a lot of investors make is that they feel they need to wait until times are good or until some resolution happens in order to put money to work. Actually, by the time there is resolution, prices already have moved. The last musing I'll mention relates to crypto. This week we saw the demise of FTX. I'm still not sure what FTX was - a crypto exchange, a non-regulated crypto bank, a trading house or all or none of the above. Billions have been lost in crypto through fraud, hacks, and the poor trading of its followers. If the bloom does come off the crypto rose, will traditional "stores of value" and more speculative investments that arguably lost investors to crypto see a return of interest? Gold miners, biotech, and micro-caps could see positive money flows. Markets aren't everything. The season for thankfulness, peace and gatherings with friends and family are upon us. I wish everyone health and happiness.
