

December 8, 2022

Good Afternoon,

What a difference a week makes. Last Wednesday, Fed Chair Powell stated, “It makes sense to moderate the pace of our rate increases” and stocks rallied sharply. Markets gave back those gains early this week on continued concerns that the fight against inflation will lead the US economy into recession. We are still mired in an emotional investment environment. The good news, however, is that the bond market has behaved well since late-October. That means that the conservative portion of balanced portfolios has shown signs of stabilizing, a very welcome change compared to earlier in the year.

Tomorrow morning, we will get an important inflation data point with the November Producer Price Index, which is expected to show continued moderation. A surprise in either direction will move markets and may impact the trend over the next several trading sessions leading up to the next Fed meeting starting December 13<sup>th</sup>. The Fed’s decision on the next rate move, and their subsequent post-meeting comments, will likely determine if Santa Claus is bringing a year-end rally, or if the Grinch is on the way.

With the conclusion of the Senate race runoff in Georgia, the Democrats have retained their 1-seat majority in the upper house. Had the Senate settled in a 50/50 split, it would have effectively made every Senator a President with veto power among their own party. The Republicans have regained the House with an 8-seat majority. This combination of the House and Senate will assure that over the next two years congress will focus on what they do best - trying to get reelected – and not much else. Thank goodness for sports. Go Bills!

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a great week,

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Wade A. Sarkis, CFP®, AIF®  
Managing Partner  
Canandaigua Financial Group  
45 Ontario Street  
Canandaigua, NY 14424  
(585) 396-2720

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