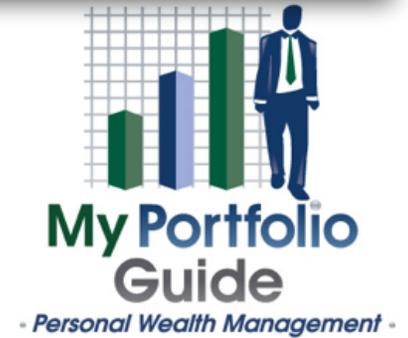


the Guide



INSIDE THIS ISSUE :

WHAT IS CAPITULATION AND ARE WE THERE YET?

Anyone who's not living under a rock knows the market is getting slaughtered this year and there is no "safe place to hide", but are we near a bottom or not?

MARKET RECAP

How did the stock market do last quarter? Take a look at how different benchmarks and indexes did versus your own portfolio. What's on the horizon?

EDUCATION CORNER

Learn what we heard from the leading and most trusted economic minds we know of at the recent First Trust Economic Forum meeting in September.

NEWS & NOTES CALENDAR

If you didn't win the massive billion dollar lottery, please see what we have on the calendar over the next few months!

Capitulation?



Simply put, capitulation means surrender. The point at which an investor throws in the proverbial towel or waves the white flag is different for everyone, but there comes a point in a stock market cycle when the broad market signals it's done hemorrhaging.

Prior to this recent environment the stock market was one where if you just "bought the dip" you would eventually be rewarded as we were in a low interest rate world and markets seemed to digest bad news quickly to only move on towards new highs. Those times are over and it's now not only a new landscape but one that you or your advisor has likely never navigated through.

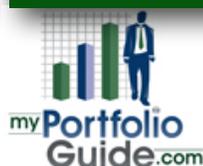
Capitulation happens when a significant amount of investors basically give into the fears of future drops and in turn

continue to sell over short periods of time and on high trading volume. It's important to note that bear markets feature several repeat high volume drops in price and premature signals of capitulation.

People often forget, however, that for every seller there is a buyer. It's at a certain inflection point where the market tells us "the sellers were wrong and the buyers were right". The main challenge with trying to determine capitulation is that it's only easy to spot in hindsight.

We are literally very near this exact point where the stock market is testing the June lows and we're now seeing the second worst start to a market year in history. What comes next is what's on everyone's minds and in this edition of "*the Guide*" we dig into some recent economic data, projections, as well as areas to consider gaining exposure to. Our job is not to pontificate or predict but rather share current and steadfast insight backed by data to help make the most sound decisions in the months to come.

Read on and enjoy!



	2022 YTD	2021	2020	2019	2018	2017	2016	2015
20 / 80	-16.37%	2.26%	6.29%	8.88%	-3.90%	4.71%	3.89%	0.29%
40 / 60	-18.25%	8.32%	8.13%	11.13%	-4.70%	8.44%	6.12%	-0.08%
50 / 50	-19.19%	11.35%	9.02%	12.25%	-5.09%	10.31%	7.24%	-0.26%
60 / 40	-20.13%	14.38%	9.90%	13.38%	-5.49%	12.17%	8.36%	-0.45%
70 / 30	-21.07%	17.41%	10.76%	14.50%	-5.89%	14.04%	9.48%	-0.65%
80 / 20	-22.01%	20.45%	11.60%	15.62%	-6.29%	15.90%	10.59%	-0.82%
S&P 500	-23.89%	26.51%	15.26%	17.90%	-7.74%	20.37%	9.54%	1.38%
Mid Cap	-21.50%	22.36%	11.39%	12.70%	-13.19%	18.37%	9.59%	-2.81%
Small Cap	-23.03%	23.89%	9.65%	12.50%	-13.44%	15.51%	16.56%	-4.85%
MSCI EAFE	-34.21%	7.12%	15.88%	6.90%	-14.82%	25.19%	1.77%	-12.67%
Emerging	-24.18%	-3.15%	9.88%	4.30%	-17.00%	30.52%	9.39%	-17.61%
Bonds	-14.50%	-3.79%	4.59%	6.80%	-3.01%	0.68%	0.04%	-2.29%

MARKET RECAP

How did the "Market" do ???

Never rely on the media to tell you "how the market did". The answer is different for everyone because investors should be allocated specific to *their* goals and risk tolerance.

The above chart shows several (6) basic portfolio allocations with their corresponding performance over different time periods.

20 / 80, for example, represents 20% in the S&P 500 and 80% in the U.S. Aggregate Bond Index. Other major indexes are also posted (S&P 500, Mid, Small etc) MSCI EAFE represents 23 developed International countries except for the US or Canada.

This has not only been a year of "no safe place to hide" but also one where all eyes have been focused on inflation and the Fed. The old expression is that the "market gets the news first" and as of right now all the market is waiting for is for the Fed's rhetoric to soften and be walked back a bit. That won't happen quite yet, but once it does we'll see a rapid snap back and bounce that not many are expecting. Yes, that's a bold statement which few believe now mainly due to how our minds and emotions are hard wired with recency bias and a slew of continuous negative headlines.

From the grid above, the 2022 column obviously paints the same picture across the board...red and down. That said, don't be trapped into chasing what is down the most. Case in point, International may look to be the most attractive as valuations are lowest worldwide but we think there is additional pain to come overseas and remain tilted towards domestic being more resilient.

What's held up, albeit not on this chart, yet makes up a part of every one of our balanced portfolios, is Commodities at +9.94% YTD. Gold is down -9.29% YTD but once the dollar weakens we expect that to once again bolster portfolio performance and still beats Bonds, which for the first time in history is down double digits (the worst prior year for the aggregate bond index was 1994 at -2.92%).

For those clients invested in our Dividend Growth Portfolio, at quarter end we are down only -4.47% YTD relative to the S&P 500 being down -23.89%. This outperformance speaks to not only stock selection but also the sector focus these leading companies are in.

In the meantime...

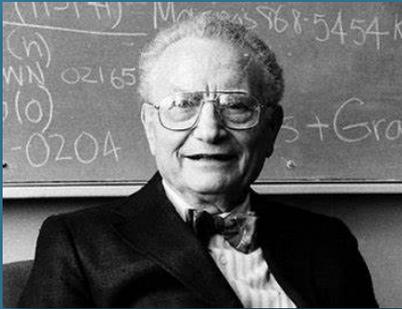
"Stay disciplined to stay positive" -MPG

EDUCATION CORNER

Economic Update

“Economics is a choice between alternatives all the time. Those are the trade-offs”

-Paul Samuelson



Wesbury at the Waldorf

Let us begin by reminding readers and clients that unlike almost any financial advisory firm we know of, My Portfolio Guide, LLC makes it a practice to rarely take any call from a wholesaler or sales outfit that pitches us products or the “soup de jour”. One firm we truly rely on and respect, however, is First Trust out of Chicago. It’s not so much that they were one of the pioneers in ETFs (exchange traded funds) dating back to 1974, but rather their world class team of leading economic experts is second to none. Among many accolades, which we won’t list here, they’re the number one most read and shared thought leadership providers in the financial services industry.

On September 29th we had the opportunity to meet and pick their brains on the current state of economic affairs at the beautiful Waldorf Astoria in Monarch Beach. Albeit a picturesque venue, the content and reality of what we discussed was clearly much more dismal in light of what the stock market has done this year. That being said, the main reason we lean on this firm for insight is that they simply “tell it like it is” and help advisors like us relay important economic trends to our valued clients.

My Portfolio Guide, LLC - Seal Beach, CA



Brian Wesbury, Chief Economist at First Trust Portfolios shared some “real talk” with us and for all those who have painted him as forever being bullish (a “perma-bull”), nothing could be further from the truth. He, like many economists and Wall Street analysts, has had to alter some of his prior market projections due to the massive changes we’re seeing from Federal Reserve policy. While there has been much banter on the definition of a recession, he still does not see one here but stated clearly it’s coming in early to mid 2023 (using the more official definition from the National Bureau of Economic Research) instead of what we all historically have relied on, which is two

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consecutive quarters of negative growth. Wesbury's comments to us were not solely focused on the problem of inflation that everyone seems to regurgitate. His big issue is **money supply**, specifically M2 (measure of cash, checking deposits, and easily convertible money). The Fed has engineered a 38% increase in M2 since February of 2020. When you print more dollars, each one becomes worth less. Your pizza is not costing more but rather your dollar is worth less.

Areas to like and Avoid

Again, while Tech led, it's now getting clobbered so don't get trapped too early chasing it back. Instead, look to Consumer Discretionary, Energy, Industrials, and Materials as the real value plays.

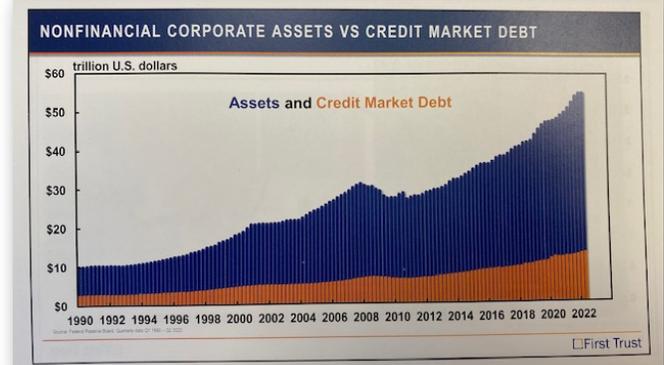
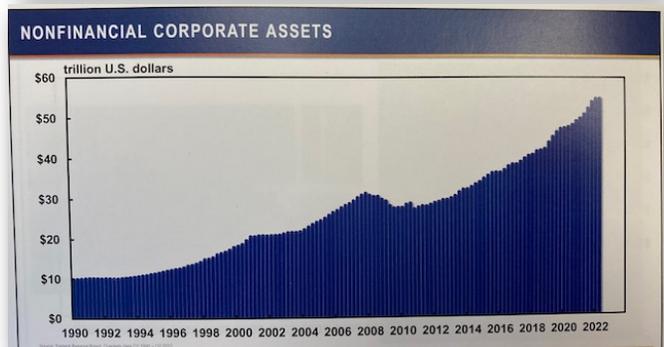
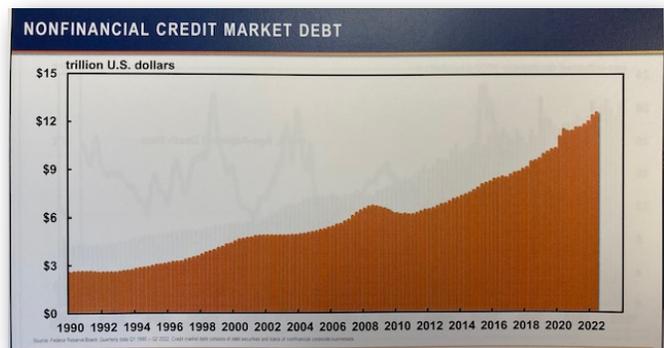
We also continue to be fans of Commodities and Gold as a better asset class than most equity or bond returns in the near-term. With the dollar at a 20 year high right now, that trend will eventually reverse and effectively unhitch the trailer on gold. Stay patient on this and you will be rewarded.

Let's get Smaller

Small cap stocks are more volatile than Large Cap but over the past 50 years they outperformed by 1%. Over the past one, three, five, 10 and 15 years, however, Small has lagged Large. While earnings will undoubtedly come down with a recession on our front steps, you will see Small Caps bounce back with a vengeance. While they're not for the faint of heart with added volatility, Small Caps can pivot quickly in environments like this. That said, for less of a roller coaster the trick is to maintain balance and of course not ignore more resilient Large Caps that offer solid dividends (especially in the main sectors we touched on above).

But "the Debt"?

Careful as always with charts and narratives. Apologies for the fuzzy pictures below but if you see the first one it shows the massive growth in trillions of dollars of debt. What gets ignored is the second chart which shows the other side of the equation which is the trillions of dollars in assets. Now, what happens in the third chart is one you'll never see...both of them together. Always look at the entire picture for full context.



FAMA/French Total U.S. Market Research Index Returns

July 1, 1926-December 31, 2021



History offers Hope...

Believe it or not, as bad as things have been... history tells us that markets not only eventually find more solid footing, but also always turn. What could happen to stop the bleeding?

For one, we've talked about what historically happens (not sometimes, but always) during the third year of a presidency and midterm election cycle. As we've mentioned in prior calls with clients and in several of our written communications, this is not about rooting for the "blue team" or the "red team"...it's the simple fact that during the first two years of a presidency the administration pushes through their main agenda. Obama did it with healthcare and Trump did it with taxes, so now Biden and his administration have done theirs. From here on out, however, the market will finally be able to almost certainly rest at ease with knowing that no major legislation can go through.

While gridlock may seem problematic and frustrating for those in charge, the market loves certainty and that's what it will get going into 2023. Since 1950 the markets have averaged 15% the year following a midterm election compared to a historical 7.1% clip. Couple this with the seasonality of now going into the strongest part of the year and a market that has

been beat to a pulp, and you will likely see a recovery in Q4. Also, after stocks drop 20% or more, they average a cumulative return of over 41% over the next three years and over 71% over five years. Even if history is doubly optimistic we can reasonably expect things to settle into more a normal cycle.

5 Hikes down, 3 to go...

Charlie Bilello, CEO of Compound Capital Advisors, points to some indications that although the rate hikes have blasted market optimism, there are signs of lower inflation rates to come...

- Crude oil down 40% from March high.
- Used car prices down 13% YTD.
- Global freight rates down 57% YTD.
- Rents are down in September, which is the first decline this year (Year over year % increase at the lowest level since May of 2021)
- Home prices down 6% from peak in June.

Market based inflation expectations hit an 18 month low at 2.19%, down from a peak of 3.02% in April. The global slowdown and tightening monetary policy in nearly ever country around the world is breaking the back of inflation...and we may soon hear moderation of the hawkish Fed rhetoric. While the Fed's tone this year has wreaked havoc on the markets, we're now expecting three more hikes of .75, .50, .25, and then a final pause before lowering. By then an official recession will have arrived but what comes after is new highs.

News & Notes:



The Billion Dollar Lottery Ticket!



So...did you win the recent Mega Millions lottery jackpot? Well...we *did not* so it's back to work in the trenches for My Portfolio Guide, LLC. All kidding aside, for the menial cost of a \$1 or \$2 it's sometimes fun to at least day dream what that would be like. What would you do? How would it change your immediate life and what would you do with that gob of money?

We bring this up because without day dreaming too much, and as corny as it sounds, nothing would actually change on this end. Matt Pixa, founder of My Portfolio Guide, LLC literally gets at least one call a month with offers to sell or merge the firm with another larger conglomerate. Why bring up this scenario?

For one, it's important in our opinion to always offer complete transparency in what

we're doing as a firm and as a fiduciary of every client's best interest. Not only are there no plans of any sale but at this stage of the company's lifecycle we're ideally positioned to service the type of client we already enjoy working with.

One of the original goals of this firm was to offer personal wealth management to clients who were looking to be treated uniquely amongst what we call a "sea of sameness". Too many advisors latch on to the lure of merging or selling to others as a way to build scale and grow assets but soon forget who they've grown with throughout the years. We have zero interest in growing at the risk of not remembering who our valued clients are and having people just become a number.

That all being said, we literally have already "won" our lottery so to speak. We get the pleasure of working with people we truly enjoy and care about. All too many firms bark about valuing their clients but at the end of the day they are simply answering to a corporate quota or agenda. We will continue to expand but do so organically as much as we're able.

We still continue to only work with new prospective clients via referral from existing clients. It's with this mindset and focus that we only work with people we enjoy, and as rough as the markets have been, we're able to focus on them as we battle through these rough times and not a company quota or ulterior motive.

Lastly, speaking of that huge lottery...who wants to pay all those taxes?!? Kidding of course... but that \$1.34 billion works out to be a lump sum of \$780.5 million. We will stay the course with you!



Events Calendar

CALENDAR:

October 2022

10/13/22 @ 8am PST

Networking Breakfast

O'Malley's on Main

Seal Beach, CA

10/15/22 @ 9am PST

Seal Beach Cleanup

1st Street Parking Lot

Seal Beach, CA

November 2022

11/7/22 - 11/18/22

Year End Planning Sessions

My Portfolio Guide, LLC

Seal Beach, CA (nationwide)



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Thank you to all who attended our Economic & Inflation Update in July with special guest Axel Merk. For those who were able to make it we still have a few autographed books he authored and would be glad to mail you one, so please indicate your interest and we'll send it out.

We are planning another Economic Webinar in early January as well which will feature another special guest that we'll share more details on in the next edition of "*the Guide*". From the excellent feedback we last received, we've simply found that many people enjoy the video content as well as ability to ask live questions. We also took note of feedback from several of our working clients that recorded sessions would be of value so please make sure to register even if you cannot attend as that way you will be on the distribution list for the recorded version. If you know you will not be able to make it on the day and time scheduled, but have a question specific to the economy or markets, please submit it to us

in advance and we'll do our best to address every question.

Aside from a few local events that we normally attend as well as volunteer our time at, the main client centric events we'll be scheduling are Year End Planning Sessions.

These planning sessions are ideally calendared before the busyness of the holidays and done either in person or via Zoom. Topics we cover will be customized to each client but center around:

- Tax Harvesting
- Allocation Update
- Estate Planning
- Extended Family Connection
- Establishment of Quarterly Review and Strategy Planning

Book your slot now in advance since it's top of mind!

As always, if you're interested in connecting, please contact us directly on our office line at (562)799-5595 to reserve a time to meet.

