

SURGANT FINANCIAL GROUP

SPECIAL REPORT – AUTUMN 2022

Dear Clients and Friends,

Although market indices finished lower in the third quarter and news media commentaries appear to be overwhelmingly negative, our analysis and position, as we articulated in our Mid-Year Market Commentary, has not changed. We believe the stock and bond markets are in a process of bottoming and stabilizing, a process likely to take several months, maybe even a year or more. In our analysis, we note the following.

Commodity prices have declined from their highs, more recently oil and gas in the past three months. Some continue on a downward trend.

In many product areas and lines, supply is exceeding demand. There are some supply bottlenecks and shortages in some areas, most notably in the automotive sector, but we believe these should also become alleviated over the coming year.

Quite a few foreign currencies have declined against the U.S. dollar. This effectively reduces the prices of imported goods and services in this country or, at the least, offsets some impact of cost input inflation for imports.

Our economy and markets appear to represent a “safe haven” for overseas investors.

Corporate asset values and financial strength continue to appear strong on an overall basis.

Interest rates, as measured by home mortgage rates, we believe have exceeded a level that significantly curtails, if not “chokes off,” new financing and business investment. We use home financing rates as our benchmark since this affects a great number of households at all income levels and since the fortunes of many companies and several industries are linked to the housing market.

These observations lead us to believe that stocks and bonds are “oversold,” and therefore more than pricing in a projected temporary slowdown in business activity (recession) over the next year. Our focus is on financial fundamentals and as part of this, we are mindful that at their essence, stock and bond prices represent, and reflect the asset value and cash flow of dynamic, productive and ongoing private enterprises. As we have said before, bear markets are not fun and do not feel good. We cannot predict either “the bottom” of the markets or trends in market psychology. However, our experience with bear markets over more than 42 years lead us to believe that patience will be well rewarded.

We hope this piece provides useful and valuable perspective for the current financial market environment. We welcome your calls to further discuss the “big picture,” and the structure and strategy of your individual portfolio. We also look forward to being in touch to review year-end tax planning and portfolio rebalancing for potentially greater benefit in a market rebound.

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