~ Prevailing Winds ~

A Quarterly Market Update ***September 30, 2022***

CHARTER RESEARCH *and* INVESTMENT GROUP

Quarterly Recap:

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity..." The famous Dicken's prose could not be more true today. Indeed, the world is recovering from the pandemic and from a whole host of related issues. Unfortunately, this recovery has brought its own challenges and worse yet, a period of profound uncertainty. For many, it has not been the best or worst of times...it simply has been tough.

Quarter Ending September 30, 2022

Equity Indexes	Close	% Change
DJIA	28725.51	-6.7%
S&P 500	3585.62	-5.3%
NASDAQ	10575.62	-4.1%

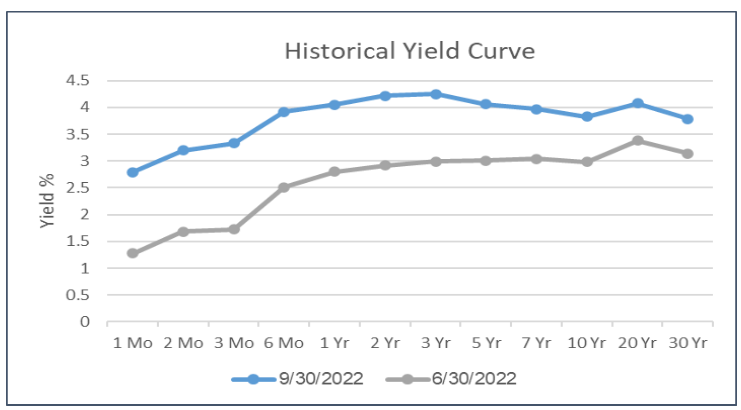
Treasuries	Close	Change
10-Year Yield	3.83%	0.85
2-Year Yield	4.22%	1.30

The Stock Market:

The good news is that we experienced a powerful rally that began in late June and continued to mid-August. Some of this was likely driven by the erroneous belief that the Federal Reserve would soon be in the position to either pause rate increases or even begin to cut rates. Despite this error, the market did have cause to rally based on the continued strength of corporate earnings and the consumer. With a few notable exceptions, companies have adroitly handled the operational difficulties of higher prices, a tight labor market, and supply chain disruptions. Management skill will be put to the test in the coming months as companies contend with a probable economic slowdown.

The Bond Market:

Interest rates continued to rise at a nearly historic pace as it became clearer than ever that 1.)The Federal Reserve will keep raising rates to stem inflationary pressure, and, 2.)The Federal Reserve understands that a serious recession and economic pain may be necessary to fulfill their first objective. This is a sobering message for all markets, whether it be stocks, bonds, real estate, or cryptocurrencies. Rising rates will temper inflation over time. What is unknown, is how much will be lost in terms of economic growth.



Looking Ahead:

Predicting the beginning or ending of bear markets or recessions is not truly an investment strategy. It is more akin to speculation. The transition to more "normal" interest rates will likely continue to be marked by uncertainty and be painful. Nonetheless, long-term investors have seen challenging market conditions before. Over time, adjustments will be made to account for higher borrowing costs. Business models will change to account for price levels and shifting demand. In the end, renewed growth is indeed likely. While elusive, seeking the best of times is a worthy objective.