

Macro Economic Overview

Global equity and fixed-income markets navigated through a volatile environment as 2022 unfolded to be a challenging year. The Russian invasion of Ukraine, rising interest rates, inflationary pressures, and a slowing economy all weighed on financial markets. The three major equity indices saw their largest declines since 2008, while rates rose from their historic lows.

Inflation hindered both consumers and businesses in 2022, as rising prices for food and fuel shifted spending away from non-essential items. Higher labor costs along with elevated operating expenses reduced company margins and profit projections.

Optimistically, the labor market remained resilient as unemployment stood below 4% at the end of 2022, still at historically low levels. Over 11 million positions were open heading into 2023, solidifying a buffer for millions of workers searching for employment. Many companies that over-hired since the start of the pandemic began to reduce jobs and trim staff as economic headwinds have become more prominent.

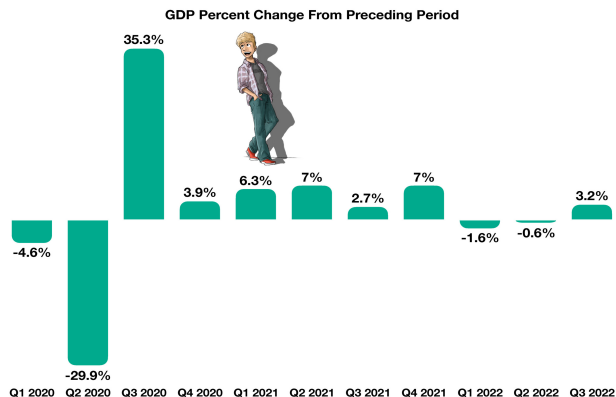
Stubborn supply constraints experienced over the past two years have essentially vanished, resulting in ample inventories and, in many instances, lower prices. Some economists and analysts expect a gradual slowing in inflationary pressures, leading to lower prices and easing consumer worries.

Falling commodity prices and a strong U.S. dollar helped to slightly alleviate inflation toward the end of 2022. Lower commodity prices along with a strong dollar make imported products less expensive for consumers and businesses.

COVID-19 infections remain a concern as rising cases in China and other countries have altered markets and shifted sentiment. Travel and shipping restrictions are the most significant economic hurdles resulting from an increase in COVID cases.

Congress passed the SECURE Act 2.0 in late December, carving the path for revised retirement provisions intended to help Americans save more intelligently for retirement. Among the changes is an increased RMD age of 73 for IRAs, and the ability to convert 529 college savings funds into Roth IRAs.

Economic expansion, as measured by Gross Domestic Product (GDP), staged a mild recovery in the third quarter of 2022, up from two consecutive quarters of negative GDP growth. Some analysts believe that the bounce may be short-lived, as ongoing challenges are expected in 2023. A lingering recessionary environment is still a concern for the markets and consumers, instilling a more cautious approach to investing and spending.



Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Bloomberg, U.S. Center for Disease Control and Prevention, U.S. Congress, Federal Reserve Bank of St. Louis

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