ANCHOR
Investment Management, LLC

Q4 COMMENTARY 2022

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Market/Index	2019 Close	2020 Close	2021 Close	2021 Change	As of 12/31/22	2022 Change
DJIA	28,538.44	30,606.48	36,338.30	18.73%	33,147.25	-8.78%
NASDAQ	8,972.60	12,888.28	15,644.97	21.39%	10,466.48	-33.10%
S&P 500	3,230.78	3,756.07	4,766.18	26.89%	3,839.50	-19.44%
Prime Rate	4.75%	3.25%	3.25%	0.00%	7.50%	4.25%
10-year Treasury	1.92%	0.93%	1.52%	0.59%	3.88%	2.36%

The Markets 2022 was a challenging year for global equity and fixed-income markets. A range of factors, including 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 had a negative impact on both consumers and businesses in 2022. Rising prices for food and fuel led to a shift in spending away from non-essential items. Higher labor costs and elevated operating expenses also reduced company margins and profit projections.

Despite the challenges, the labor market remained resilient. Unemployment stood below 4% at the end of 2022, which is still a historically low level. There were over 11 million open positions heading into 2023, providing a buffer for millions of workers searching for employment. Some companies that had hired heavily since the start of the pandemic began to reduce jobs and trim staff as economic headwinds became more prominent.

Supply constraints, which had been a persistent issue over the past two years, largely disappeared in 2022. This relief led to ample inventories and, in many cases, lower prices. Some economists and analysts predict that inflationary pressures will gradually decrease, leading to lower prices and easing consumer concerns.

Commodity prices fell and the U.S. dollar strengthened in the latter part of 2022, which helped to alleviate inflation somewhat. Lower commodity prices and a strong dollar made imported products less expensive for consumers and businesses.

New Legislation In December, Congress passed the SECURE Act 2.0, which includes revised retirement provisions intended to help Americans save more effectively for retirement. The changes include an increase in the Required Minimum Distribution (RMD) age to 73 for IRAs and the ability to convert 529 college savings funds into Roth IRAs.

Each year, the IRS makes changes to the tax code based on cost-of-living factors, congressional demands, and inflation. The adjustment for 2023, which was unusually high due to 40-year highs in inflation (currently at 8.2%), included a 7% increase in the thresholds for each tax bracket for the marginal tax rate. The standard deduction also increased accordingly. As a result, marginal taxes will remain the same but will apply to incomes 7% higher than in 2022. For example, the top marginal tax rate of 37% previously applied to individual income above $539,900, but in 2023 it will apply to income above $578,125.

ChatGPT An Artificial Intelligence model called ChatGPT has been all over the news lately. It was released on November 30th and the computer world has been in awe of its capabilities ever since. Microsoft has been in talks to invest $10 Billion and Google has completely changed their forward strategy to catch up with the technology. So, what is it?

ChatGPT is a large language model developed by OpenAI that uses deep learning techniques to generate natural language text. It is trained on a massive dataset of text from the internet and is capable of understanding and responding to a wide variety of prompts.

One of the key capabilities of ChatGPT is its ability to understand and respond to context. This means that it can generate text that is relevant to the specific topic or prompt it is given. For example, if it is asked to generate a summary of a news article, it will be able to understand the context of the request and generate text that is relevant to the content of the article.

Another strength of ChatGPT is its ability to generate text that is coherent and easy to read. The model has been trained on a wide variety of text, which means that it can generate text that is written in a style that is similar to that of a human writer. This makes it well-suited for use in various applications such as in chatbot, article writing, and even in creative writing.

In terms of limitations, one of the main concerns with language models like ChatGPT is their lack of understanding of the real -world context, meaning that it may not always be able to understand fully the nuances of certain concepts or situations. Additionally, the model will always generate text based on its training data, which may not always reflect current conditions or other real-world factors. Therefore, it's very important to review and fact-check the generated text before using it.

It's amazing technology, and if you're still not convinced, please note that everything written in this newsletter above this sentence was written by ChatGPT…
It took about 30 seconds.

The Year Ahead We get many questions about what we expect to happen in 2023. While we don't have a crystal ball it's safe to assume two things:

First, the Federal Reserve will continue to raise interest rates to fight inflation and give itself "ammunition" to fight against future economic downturns. We expect overnight rates in the 5% range. Long-term, this increase is a good thing; if a recession had happened when interest rates were artificially low (2012 – 2019) the Fed would not have had any way to stimulate the economy. Raising interest rates to "normal" levels puts us back to where we were in the 1990's. It also means that bonds will give investors decent returns going forward.

Second, this period is one of the nine best times in the last 70 years to buy stocks. The S&P 500 has only had a 25% reduction from the all-time high 9 times in the last 70 years. Capitalism is not ending; it's just readjusting and everything is on sale. This chapter is one of the "would of, could of, should of" moments; investing when stocks are on sale has always been a winning strategy.

***Disclaimer -** This synopsis is based on research of information available at this time and is provided for general information purposes only. Every attempt has been made to ensure the information contained herein is valid at the time of publication. If you are a client of Anchor, please notify us if there have been significant changes in your financial situation or investment objectives.*

The comfort of home

Since its founding in 2000, Anchor Investment Management has expanded from a two-person firm to a team of 17. Throughout changes and growth, their commitment to building meaningful relationships with clients has remained the same. Their location in an old house rather than an office building is a tangible representation of the value they place on creating the comfort of home. Showing clients hospitality and making them feel known is a top priority for Anchor Investment Management and when you visit their inviting office, you'll immediately feel comfortable and valued. As you and your family work alongside their advisors to chart a course for your future financial needs and goals, they'll be with you every step of the way.

All of us at Anchor wish you a happy and prosperous new year. We stand ready to answer any questions you may have about your investments and look forward to seeing you soon.

3205 Devine Street, Columbia, SC 29205 Phone: 803.766.2100

anchorinvestmentmanagement.com