

|                                  |                                     | <u>Oct 2022</u> | <u>YTD</u> | <u>1-Year</u> | <u>3-Years</u> | <u>5-Years</u> | <u>10-Years</u> |
|----------------------------------|-------------------------------------|-----------------|------------|---------------|----------------|----------------|-----------------|
| U.S. Large Cap Equities          | S&P 500                             | 8.10%           | -17.70%    | -14.61%       | 10.22%         | 10.44%         | 12.79%          |
| U.S. Small Cap Equities          | Russell 2000                        | 11.01%          | -16.86%    | -18.54%       | 7.05%          | 5.56%          | 9.93%           |
| Energy Infrastructure Equities   | Alerian U.S. Midstream Energy       | 12.94%          | 32.67%     | 26.22%        | 14.69%         | 9.11%          | -               |
| U.S. Real Estate Equities        | Dow Jones U.S. Select REIT          | 4.49%           | -26.15%    | -19.97%       | -2.21%         | 3.07%          | 6.06%           |
| Global Equities                  | MSCI All Country World Index        | 6.03%           | -21.14%    | -19.96%       | 4.85%          | 5.24%          | 7.98%           |
| International Developed Equities | MSCI EAFE                           | 5.38%           | -23.17%    | -23.00%       | -1.27%         | -0.09%         | 4.13%           |
| Emerging Market Equities         | MSCI Emerging Markets               | -3.10%          | -29.42%    | -31.03%       | -4.42%         | -3.09%         | 0.79%           |
| U.S. Taxable Fixed Income        | Bloomberg U.S. Aggregate            | -1.30%          | -15.72%    | -15.68%       | -3.77%         | -0.54%         | 0.74%           |
| U.S. Tax-Exempt Fixed Income     | Bloomberg Municipal Aggregate       | -0.83%          | -12.86%    | -11.98%       | -2.18%         | 0.37%          | 1.68%           |
| High Yield Fixed Income          | Bloomberg U.S. Corporate High Yield | 2.60%           | -12.53%    | -11.76%       | 0.31%          | 2.01%          | 4.12%           |
| Floating Rate Loans              | S&P/LSTA Leveraged Loan             | 1.03%           | -2.23%     | -1.76%        | 2.72%          | 3.07%          | 3.61%           |
| International Fixed Income       | Bloomberg Global Aggregate Ex-U.S.  | -0.14%          | -23.99%    | -24.59%       | -8.11%         | -3.91%         | -2.36%          |

### Economic News-

- High inflation and higher-than-expected U.S. jobs hiring supported continued hawkish action from central banks in October.
- The European and Canadian central banks hiked rates by 0.75% and 0.50%, respectively, and the Federal reserve hiked by 0.75% in November.
- The Fed is expected to decelerate rate hikes to 0.50% in December and 0.25%-0.50% at each of the first two FOMC meetings in 2023.
- The U.S. economy showed signs of softening from data released in October; housing starts and home sales slowed and manufacturing declined.
- Historically, every year following a mid-term election has had a positive return.

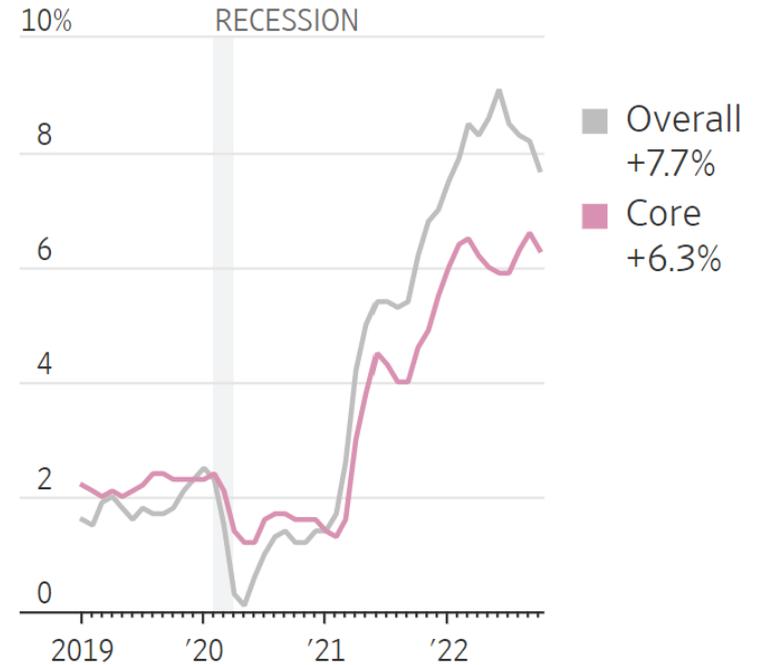
### Market Update-

- Global equity markets regained their footing in October with the MSCI All Country World Index gaining a healthy 6.0%.
- U.S. stocks rallied despite a myriad of persistent geopolitical risks; value outperformed growth by 7% in October and 20% year-to-date.
- The energy market provided the best return, with the Alerian U.S. Midstream Index gaining nearly 13%; the Index yield was 7.3%.
- Bond indexes were mixed in October, with investment grade bonds falling and below investment grade bonds and loans gaining.
- The yield for the Bloomberg U.S. Aggregate Bond Index ended the month at 5.10%, up from 1.75% at the start of the year.
- High yield bonds and floating rate loans yielded 9.19% and 11.09% at month-end, respectively.
- The default rate for high yield bonds was 1.6% at month-end, compared to the long-run average of 3.6%.

- The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.4% in October (the same pace as September) and 7.7% over the last 12 months.
- The index for shelter contributed over half of the monthly all-items increase, with the indexes for gasoline and food also increasing.
- Shelter costs are expected to roll over as declining new and existing housing prices show up in the lagging numbers.
- Excluding food and energy, core inflation rose 0.3% in October and 6.3% over the last 12 months (down from 0.6% and 6.6% in September, respectively).

|  |              |
|--|--------------|
| Food at work + school                        | 95.2%        |
| Eggs   | 43%          |
| Airline fares                                | 42.9%        |
| Butter + margarine                           | 33.6%        |
| Public transportation                        | 28.1%        |
| Health insurance                             | 20.6%        |
| Utility (piped) gas service                  | 20%          |
| <b>Energy</b>                                | <b>17.6%</b> |
| Gasoline (all types)                         | 17.5%        |
| Roasted coffee                               | 15.6%        |
| Pet food                                     | 15%          |
| Poultry                                      | 14.9%        |
| Bread  | 14.8%        |
| Milk   | 14.5%        |
| Frozen fruits + vegetables                   | 14.1%        |
| Electricity                                  | 14.1%        |
| Motor vehicle insurance                      | 12.9%        |
| <b>Food at home</b>                          | <b>12.4%</b> |
| Cheese + related products                    | 12.4%        |
| Living room, kitchen + dining room furniture | 11.6%        |
| Household cleaning products                  | 11.5%        |
| Baby food                                    | 10.9%        |
| Motor vehicle maintenance + repair           | 10.3%        |
| Shelter                                      | 6.9%         |
| <b>All items less food + energy</b>          | <b>6.3%</b>  |

## Consumer-price index, change from a year earlier

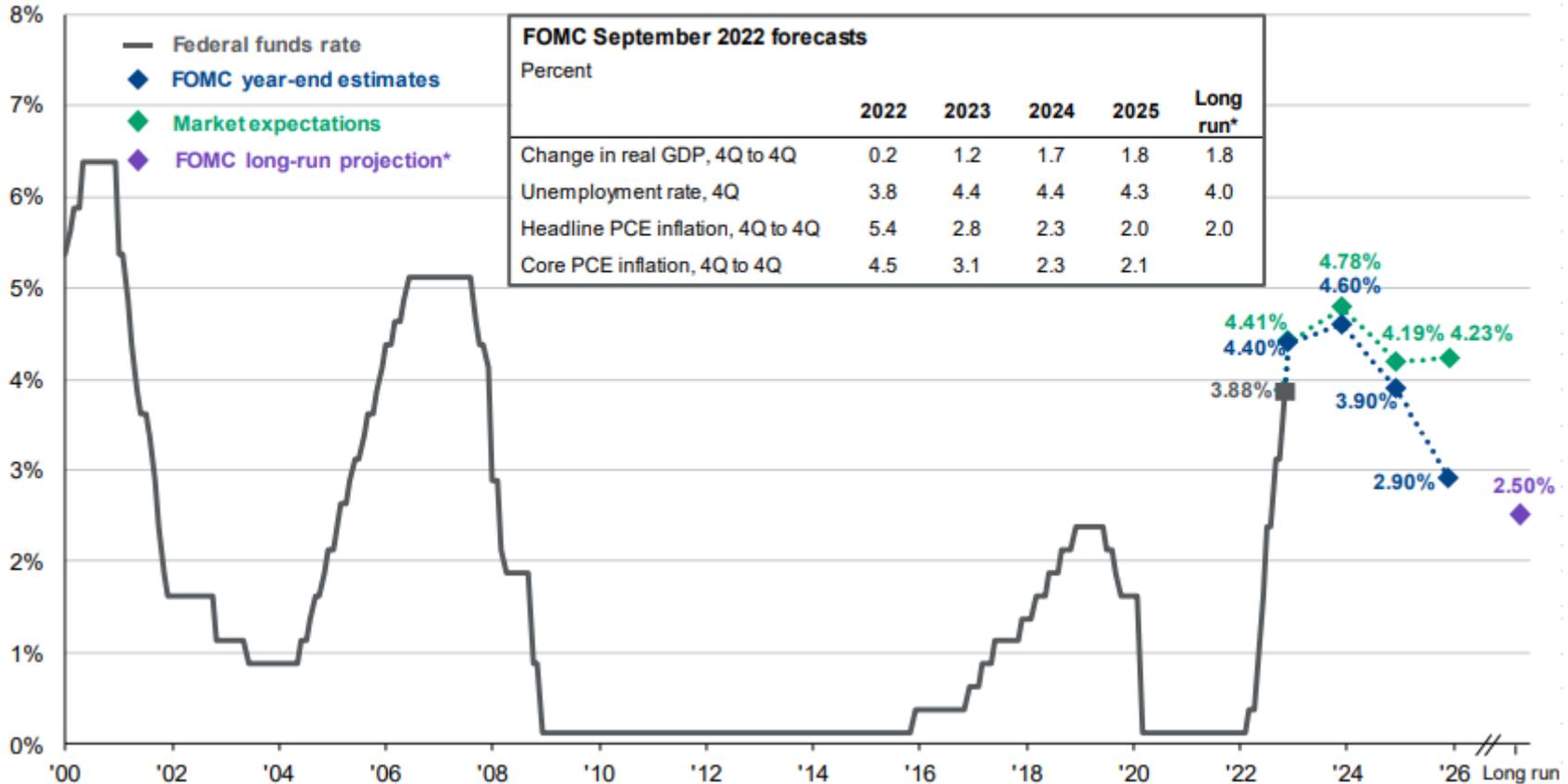


Source: Labor Department

- The U.S. Federal Reserve has raised interest rates six times year-to-date, to a target range of 3.75-4.00%.
- The Fed's next opportunity to raise interest rates will be in December, when the FOMC convenes on the 13<sup>th</sup> and 14<sup>th</sup>.
- The futures market expectation for Fed Funds rates has increased to 4.41% by the start of 2023.
- Longer-term market expectations for Fed Funds rates rose to 4.19% by the end of 2024, which implies the economy stalls and job losses lead the Fed to cut rates after 2023 rate increases.

## Federal funds rate expectations

FOMC and market expectations for the federal funds rate



- The U.S. dollar weakened 0.9% against the Canadian dollar in October, ending the month with an exchange rate of 1.36417.
- The Canadian economy added 108,000 new jobs in October and the unemployment rate held steady at 5.2%.
- Wages grew for the fifth consecutive month. As compared with one year ago, wages in October were up 5.6%.
- However, the annual inflation rate was 6.9% in September, meaning many Canadians have lost purchasing power.
- The Bank of Canada announced a 0.50% interest rate hike when it convened in late October, raising the policy rate to 3.75%.
- The next opportunities for the Bank of Canada to adjust interest rates are in early December and late January.
- The market is pricing in a peak interest rate of 4.5% by the end of Q1 2023.



| Date Range | USD to CAD    | +/-    |
|------------|---------------|--------|
| YTD        | 1.2655-1.3641 | +7.8%  |
| 1-Year     | 1.2386-1.3641 | +10.1% |
| 3-Years    | 1.3137-1.3641 | +3.8%  |

**\$USD 1,000,000**  
 =  
**\$CAD 1,364,174**  
  
**@ 1.36417**  
**(10/31/2022)**

| CAD Profile     |   |
|-----------------|---|
| *Inflation Rate | 6.9% (Sep 2022)   |
| Interest Rate   | 3.75% (Oct 2022)  |
| Information     | <a href="http://www.bankofcanada.ca">http://www.bankofcanada.ca</a> |

\*Total CPI Inflation

Sources: xe.com, Statistics Canada, Bloomberg, Royal Bank of Canada, Wall Street Journal



**Independence**

Asset  
Advisors

## COPPER - as of 10/31/2022

The price of copper was \$3.37 USD per pound.

Copper prices were down \$1.09 per pound year-to-date, or 24%, and down \$1.57, or 32%, since the March 2022 peak. **Looking ahead, guidance suggests copper will trade at \$3.55 per pound by the end of the fourth quarter, and at \$3.31 in 12 months.**

Per TradingEconomics, “prices remain well above the \$3.5 mark that was consistent through the start of the fourth quarter, supported by stimulus pledges from the PBoC and looming supply concerns...low prices do not reflect the tightness in the physical market.”

## ALUMINUM - as of 10/31/2022

The price of aluminum was \$2,222 USD per tonne.

Aluminum prices were down \$585 per tonne year-to-date, or 21%, and down \$1,627, or 42%, from the record high price of \$3,849 per tonne in March of 2022.

Alcoa, the largest US aluminum producer, has recently warned investors that high energy and raw material costs and a fall in aluminum prices are putting pressure on margins. **Aluminum is forecasted to trade at \$2,276 USD/tonne by the end of the fourth quarter, and at \$2,104 in 12 months.**



- The price of a barrel of crude oil increased \$6.69 in October, or 8.4%, to \$86.18.
- The average price of regular unleaded gasoline was nearly unchanged in October, falling \$0.03, to \$3.76 per gallon.

## Change in production and consumption of liquid fuels

Production, consumption and inventories, millions of barrels per day

| Production       | 2019         | 2020        | 2021        | 2022*       | 2023*        | Growth since '19 |
|------------------|--------------|-------------|-------------|-------------|--------------|------------------|
| U.S.             | 19.5         | 18.6        | 19.0        | 20.2        | 21.1         | 7.9%             |
| OPEC             | 34.6         | 30.7        | 31.7        | 34.1        | 34.4         | -0.7%            |
| Russia           | 11.5         | 10.5        | 10.8        | 10.9        | 9.3          | -18.7%           |
| <b>Global</b>    | <b>100.3</b> | <b>93.9</b> | <b>95.7</b> | <b>99.9</b> | <b>100.7</b> | <b>0.4%</b>      |
| Consumption      | 2019         | 2020        | 2021        | 2022*       | 2023*        | Growth since '19 |
| U.S.             | 20.5         | 18.2        | 19.9        | 20.4        | 20.5         | 0.0%             |
| China            | 14.0         | 14.4        | 15.3        | 15.2        | 15.9         | 13.7%            |
| <b>Global</b>    | <b>100.7</b> | <b>91.8</b> | <b>97.4</b> | <b>99.6</b> | <b>101.0</b> | <b>0.3%</b>      |
| Inventory Change | 2019         | 2020        | 2021        | 2022*       | 2023*        | Growth since '19 |
|                  | -0.4         | 2.1         | -1.7        | 0.4         | -0.3         |                  |

Crude oil recorded its first monthly increase in three months when it rose \$6.69 per barrel in October.

The price increase was primarily attributable to the anticipation of relaxed coronavirus-induced restrictions in China, which lifted the outlook for demand. In addition, OPEC+ announced plans to cut production by two million barrels per day in November, the most since the pandemic. The price increase was partially offset by persistent concerns about a recession-driven demand downturn resulting from tighter monetary policy.

Futures data suggests crude oil is expected to trade at \$91.60/barrel by the end of the fourth quarter and at \$103.19/barrel in one year.

## Price of oil

WTI crude, nominal prices, USD/barrel

