WINTHROP WEALTH

JANUARY 2023 CLIENT QUESTION OF THE MONTH

OUR FAVORITE CHARTS OF 2022

By Andrew Murphy, CFA | Co-Chief Investment Officer
& Francesca Lanza | Associate Portfolio Manager

S&P 500 Annual Returns

Since 1928, the stock market produced positive results in 69 calendar years vs. 26 years with negative returns.

The market moved higher in 73% of years with an average return of +20.9% and declined in 27% of years with an average drop of -14.2%.

S&P 500 Calendar Year Returns: 1928 - 2022

Total Annualized Return: 9.4%

Positive Years: 69 (73%)

Negative Years: 26 (27%)

-50% to -40%	-40% to -30%	-30% to -20%	-20% to -10%	-10% to 0%	0% to 10%	10% to 20%	20% to 30%	30% to 40%	40% to 50%	50% to 60%
						1944 19.5%				
						1972 19.0%				
						1986 18.7%	2021 28.7%			
						1979 18.6%	2003 28.7%			
						2020 18.4%	1998 28.5%	1928 37.9%		
					1992 7.6%	1952 18.2%	1961 26.9%	1995 37.5%		
				1939 -0.1%	1978 6.6%	1988 16.6%	2009 26.4%	1975 37.2%		
				1953 -0.9%	1956 6.5%	1964 16.4%	1943 25.6%	1945 36.3%		
				1990 -3.2%	1984 6.3%	2012 16.0%	1976 23.9%	1936 33.7%		
				2018 -4.4%	1947 5.6%	2006 15.8%	1967 23.9%	1997 33.3%		
				1934 -4.7%	2007 5.6%	2010 15.1%	1951 23.8%	1950 32.6%		
				1981 -4.9%	1948 5.4%	1971 14.3%	1949 23.6%	1980 32.5%		
			1957 -10.7%	1977 -7.2%	1987 5.3%	2014 13.7%	1996 22.9%	2013 32.4%		
			1941 -11.6%	1946 -8.0%	2005 4.9%	1965 12.5%	1963 22.8%	1985 31.7%		
			2001 -11.9%	1969 -8.4%	1970 3.9%	1959 12.0%	1983 22.6%	1989 31.7%		
			1929 -11.9%	1962 -8.7%	2011 2.1%	2016 12.0%	2017 21.8%	2019 31.5%		
		2002 -22.1%	1973 -14.7%	2000 -9.1%	2015 1.4%	1968 11.0%	1982 21.5%	1955 31.4%	1933 44.1%	
	1937 -34.7%	1974 -26.5%	1932 -14.8%	1940 -9.6%	1994 1.3%	2004 10.9%	1999 21.0%	1991 30.4%	1958 43.1%	
1931 -47.1%	2008 -37.0%	1930 -28.5%	2022 -18.1%	1966 -10.0%	1960 0.5%	1993 10.1%	1942 20.1%	1938 30.1%	1935 41.4%	1954 52.3%

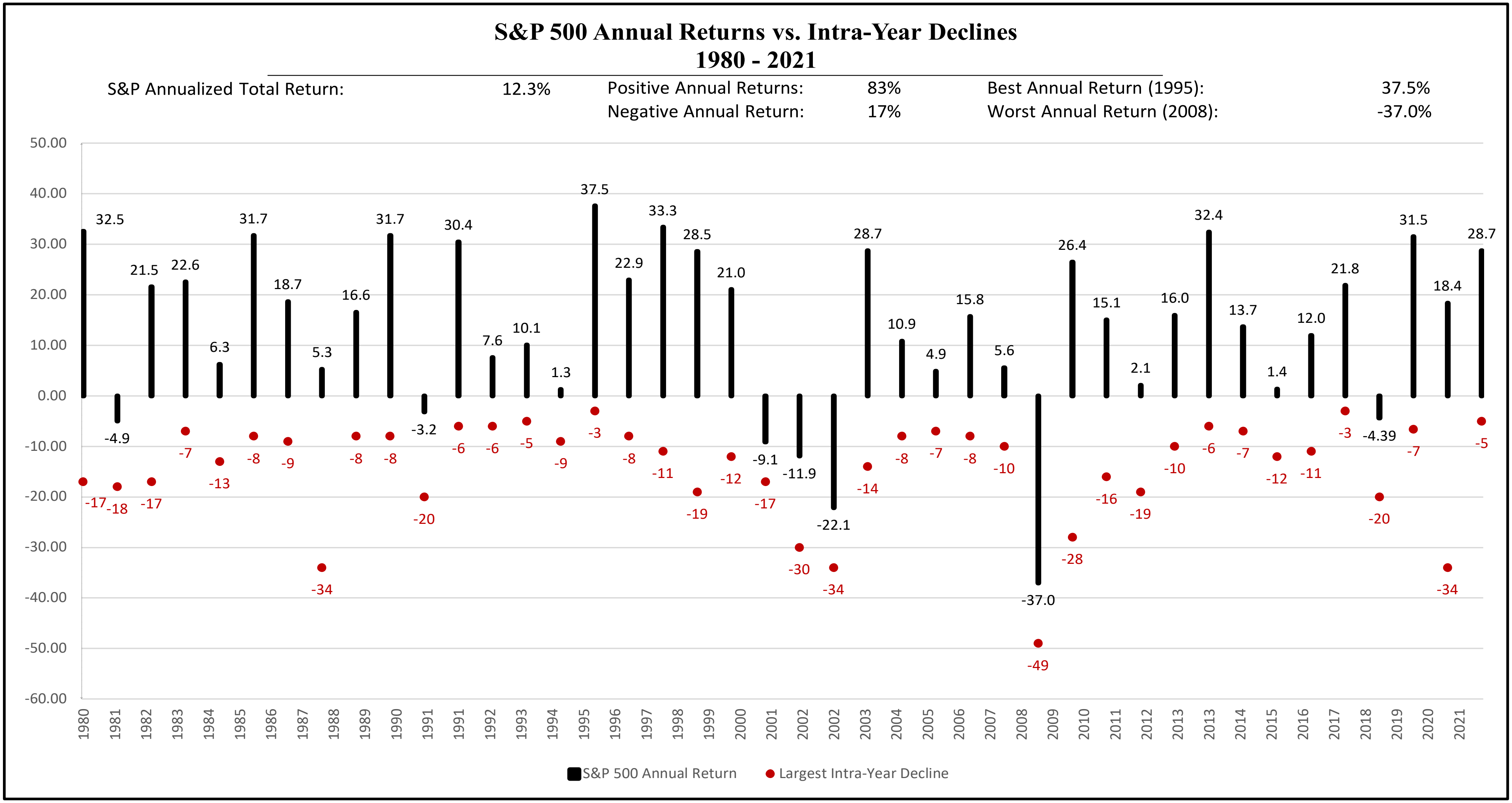
Source: Bloomberg. Past performance does not guarantee future results and it is not possible to invest directly into an index.

Equity Market Declines Are Common

The following chart displays the S&P 500's annual return vs. the largest intra-year decline from 1980 through 2022.

Over this period, the S&P 500 has generated a total annualized return of +11.5%. Annual returns ranged from -37.0% to +35.5%.

There were plenty of market drops along the way as the average intra-year price decline was -14.4%.



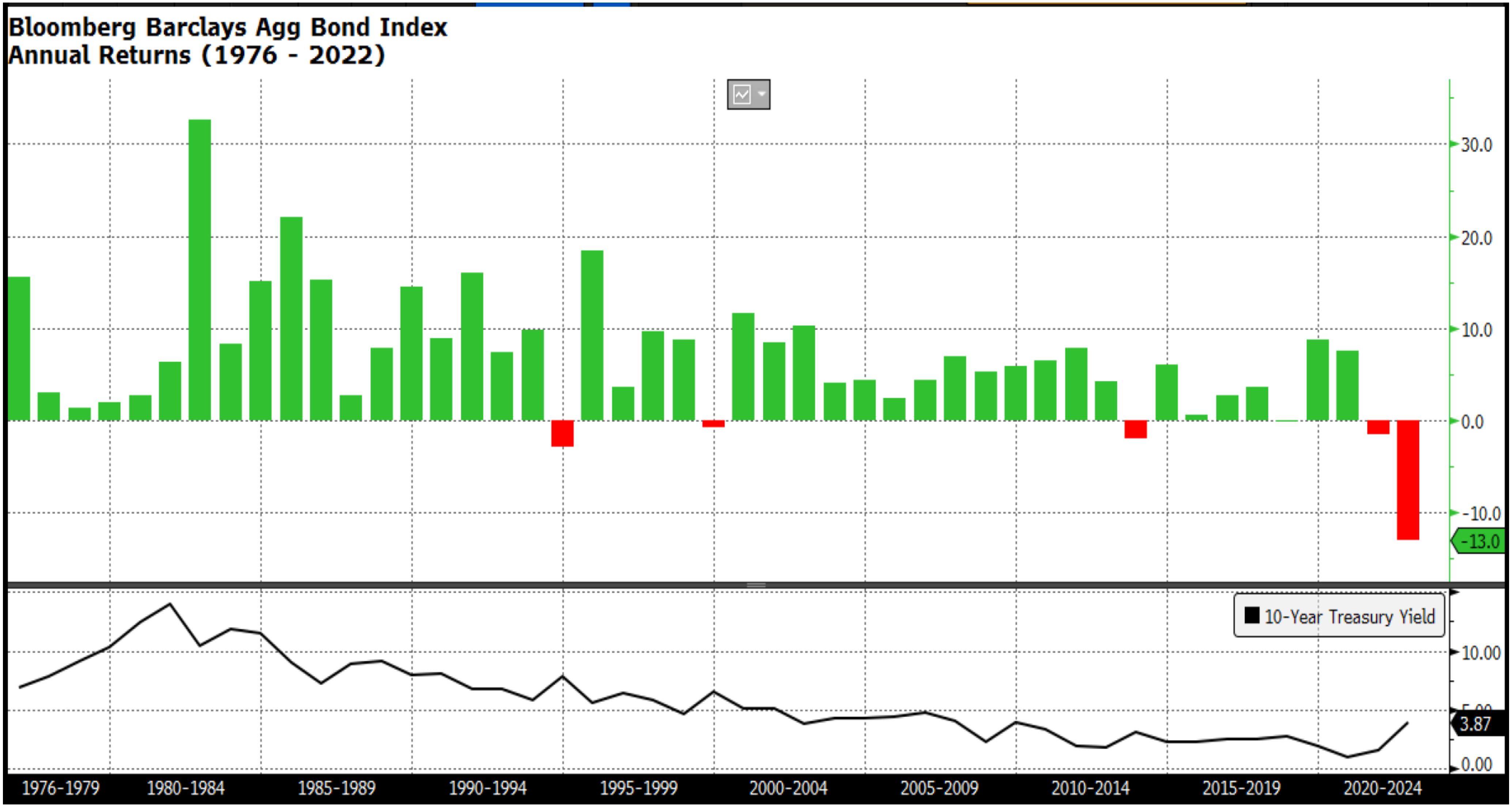
Source: Bloomberg. Past performance does not guarantee future results and it is not possible to invest directly into an index.

US Bond Market Annual Returns

The Bloomberg Barclays US Aggregate Bond index (Agg) acts as a proxy for the investment-grade bond market. Since inception of the index in 1976, the bond market has produced a total annualized return of +6.6%.

The bond market increased 89% of years with an average return of +8.1% and declined in 11% of years with an average drop of -4.1%.

The 10-Year Treasury yield is shown in the bottom of the chart. Bond prices move inversely to interest rates and credit spreads.



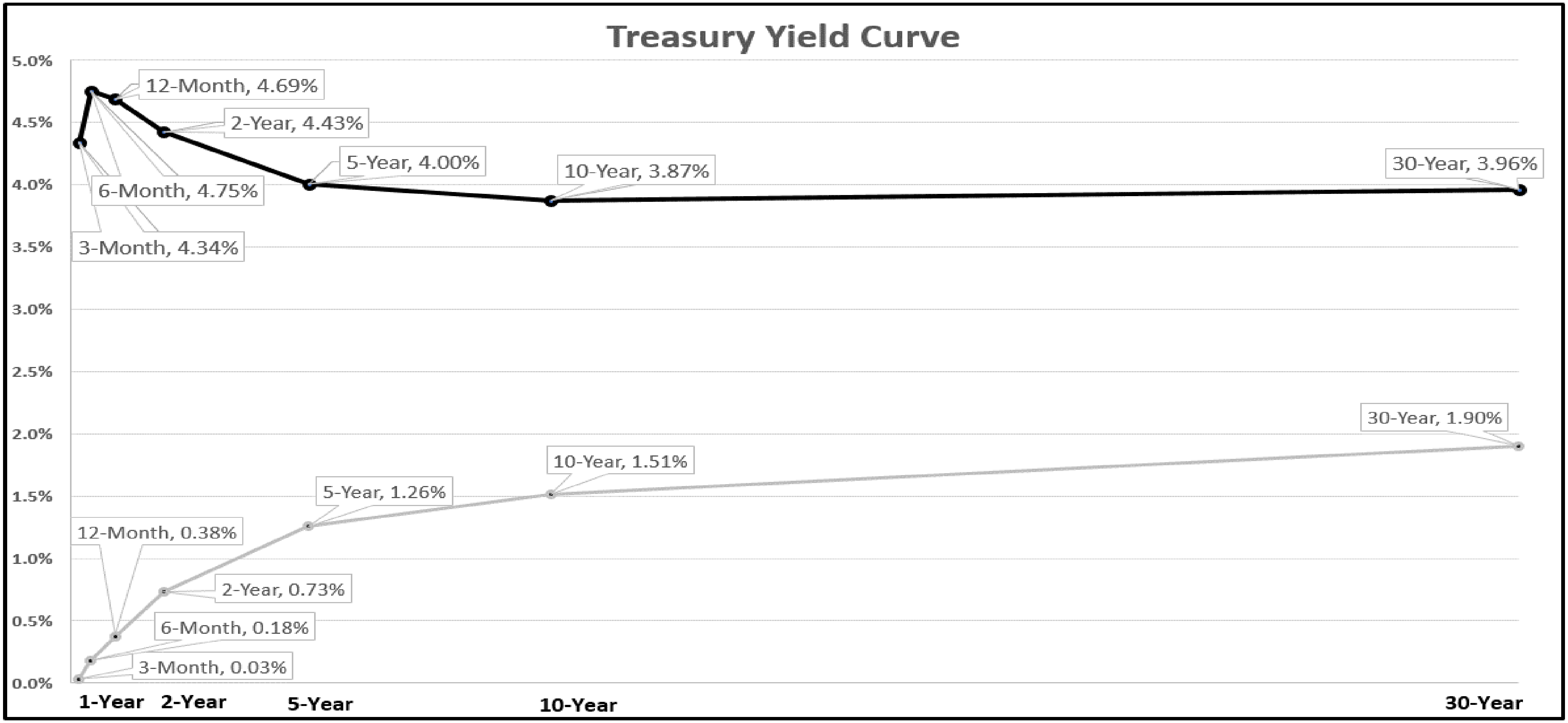
Source: Bloomberg. Past performance does not guarantee future results and it is not possible to invest directly into an index.

Treasury Yield Curve

The following chart displays the current Treasury yield curve in black and the values from one year-ago in grey.

Throughout the year, the 2-Year Treasury yield increased by about 364 basis points as investors began pricing in more Fed rate hikes over the next few years. The 10-Year Treasury yield increased by about 203 basis points as expectations of inflation continued to move higher.

The Treasury yield curve is currently inverted with both the 3-Month (4.34%) and 2-Year (4.43%) higher than the 10-Year (3.87%) yield. In general, the Fed controls shorter term Treasury yields by setting the target federal funds rate while the market controls long term rates as investor demand will vary based on future expectations of inflation and economic growth. An inverted yield curve is a sign of a pessimistic economic outlook and typically signals that investors expect the Fed to cut rates soon. If the Fed does cut rates as investors expect, the 3-Month and 2-Year yields will fall below the 10-Year and the yield curve will be upward sloping again.



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S&P 500 Bear Markets

A bear market is defined as a decline of -20% on a closing basis without a subsequent +20% increase.

Since 1929, the S&P 500 has experienced 13 bear markets (about once every 7 years). During these periods, the S&P 500 took about 17 months to reach the bottom with a median price decline of -34%.

Historically, bear markets have created strong buying opportunities as the S&P was significantly higher 1-, 3-, and 5- years after the trough.

S&P 500 Bear Markets
1929 - 2002

Market Event	Economic Recession	S&P 500 Peak	S&P 500 Trough	Peak to Trough (Months)	Peak to Trough Price Decline	1-Year Total Return Post Trough	3-Year Total Return Post Trough	5-Year Total Return Post Trough
Great Depression	Yes	September 1929	June 1932	33	-86.2%	121.4%	117.7%	287.9%
1937 Fed Tightening	Yes	March 1937	March 1938	13	-54.5%	34.8%	36.3%	82.8%
Post World War II Crash	Yes	May 1946	June 1949	37	-29.6%	59.9%	132.8%	206.8%
Eisenhower Recession	Yes	July 1957	October 1957	3	-20.7%	36.2%	52.0%	68.9%
Flash Crash of 1962 / Cold War	No	December 1961	June 1962	7	-28.0%	37.5%	75.0%	107.0%
Tech Crash of 1970	Yes	November 1968	May 1970	18	-35.4%	48.9%	71.3%	56.1%
Stagflation	Yes	January 1973	October 1974	21	-48.2%	44.4%	76.4%	122.9%
Volcker Tightening	Yes	November 1980	August 1982	21	-27.1%	66.1%	111.0%	300.3%
Crash of 1987	No	August 1987	December 1987	3	-33.5%	26.0%	61.1%	127.5%
Tech Bubble	Yes	March 2000	October 2002	31	-49.1%	36.1%	62.4%	118.8%
Global Financial Crisis	Yes	October 2007	March 2009	17	-56.8%	72.3%	115.0%	208.7%
Global Pandemic	Yes	February 2020	March 2020	1	-33.9%	77.8%		
Inflation / Fed Tightening		January 2022	October 2022	9	-25.4%			
Average (13)				17	-40.6%	55.1%	82.8%	153.4%
Median (13)				17	-33.9%	46.7%	75.0%	122.9%
Average (12. Ex. Great Depression)				15	-36.9%	49.1%	79.3%	140.0%
Median (12. Ex Great Depression)				15	-33.7%	44.4%	73.1%	120.9%
Average (2. No Recession)				5	-30.7%	31.7%	68.1%	117.3%

Source: Bloomberg. Past performance does not guarantee future results and it is not possible to invest directly into an index.

United States Recessions and S&P Performance

The National Bureau of Economic Research (NBER) Business Cycle Dating Committee is charged with maintaining official records of expansions and recessions in the United States. The NBER defines a recession as a significant decline in economic activity while an expansion is defined as a period where economic activity rises substantially. According to the NBER, since 1929 there have been 15 recessions in the US lasting an average of 13 months each.

We will also point out that recessions can reward long-term investors and create strong near-term buying opportunities. During the last 15 recessions, the S&P 500 declined by an average of -30.0%. However, once the market bottomed, performance was very strong over subsequent 1-YR (+50.1%), 3-YR (+79.0%), and 5-YR (+142.1%) periods.

United States Recessions			S&P 500 Performance						
Economic Growth Peak	Economic Growth Trough	Peak to Trough (Months)	S&P 500 Peak	S&P 500 Trough	Peak to Trough (Months)	Peak to Trough Decline	1-Year Post Trough	3-Year Post Trough	5-Year Post Trough
August 1929	March 1933	44	September 1929	June 1932	33	-86.2%	121.4%	117.7%	287.9%
May 1937	June 1938	13	March 1937	March 1938	13	-51.3%	34.8%	36.3%	82.8%
February 1945	October 1945	8	January 1945	January 1945	0	-3.5%	42.7%	24.9%	74.6%
November 1948	October 1949	11	June 1948	June 1949	12	-15.5%	59.9%	132.8%	206.8%
July 1953	May 1954	10	January 1953	September 1953	8	-12.4%	45.6%	137.3%	165.0%
August 1957	April 1958	8	July 1957	October 1957	3	-19.8%	36.2%	52.0%	68.9%
April 1960	February 1961	10	January 1960	October 1960	10	-11.1%	34.8%	55.9%	106.0%
December 1969	November 1970	11	May 1969	May 1970	13	-32.2%	48.9%	71.3%	56.1%
November 1973	March 1975	16	January 1973	October 1974	21	-44.8%	44.4%	76.4%	122.9%
January 1980	July 1980	6	February 1980	March 1980	1	-16.7%	44.4%	82.5%	133.5%
July 1981	November 1982	16	January 1981	August 1982	19	-19.1%	66.1%	111.0%	300.3%
July 1990	March 1991	8	July 1990	October 1990	3	-19.2%	33.5%	70.8%	126.4%
March 2001	November 2001	8	January 2001	September 2001	8	-29.1%	-11.1%	22.2%	49.7%
December 2007	June 2009	18	October 2007	March 2009	17	-55.2%	72.3%	115.0%	208.7%
February 2020	April 2020	2	February 2020	March 2020	1	-33.8%	77.8%		
Average (15)		13			11	-30.0%	50.1%	79.0%	142.1%
Median (15)		10			10	-19.8%	44.4%	73.8%	124.7%
Average (14. Ex. Great Depression)		11			9	-26.0%	45.0%	76.0%	130.9%
Median (14. Ex Great Depression)		10			9	-19.5%	44.4%	71.3%	122.9%

Source: Bloomberg and National Bureau of Economic Research (NBER). Past performance does not guarantee future results and it is not possible to invest directly into an index.

Not All Investment Income is Taxed the Same

It is important to be mindful that not all income received from your investments is taxed the same.

The chart breaks down the IRS taxation rules for different types of investment income: interest, dividends, and capital gains.

WINTHROP WEALTH

Not all investment income is taxed the same.

Three different types of investment income and their associated IRS taxation rules.

Interest

Income received for loaning funds to a bond issuer.

The type of interest decides how they are taxed:

- **Municipal Bonds**
  - Exempt from federal income tax*
    - If investors reside in the same state where the bond is issued, it is tax exempt at state and local levels
- **U.S. Treasuries**
  - Taxable at the federal income tax rate, exempt at state and local levels
- **Corporate Bonds**
  - Fully taxable at all levels

Dividends

Distributions of profit by a corporation to its shareholders.

The holding period decides how dividends are taxed:

- **Qualified**: if the security has been held for a minimum of 61 days
  - Taxed at the capital gains tax rate
    - *Example: dividends from publicly traded companies*
- **Non-Qualified**: if the security has been held for less than 61 days
  - Taxed at standard federal income tax rates
    - *Example: dividends from tax-exempt entities, including REITs*

Capital Gains

Profits resulting from selling a capital asset or investment at a price higher than its purchase price and/or your adjusted cost basis for the security.

The holding period decides how capital gains are taxed:

- **Short term**: security held for less than one year
  - Taxed at standard federal income tax rates
- **Long term**: security held for at least one year
  - Taxed at capital gain tax rates of 0%, 15% or 20%, depending on your federal income tax bracket (plus 3.8% Net Investment Income tax**)

Source: Winthrop Wealth. Past performance does not guarantee future results and it is not possible to invest directly into an index.

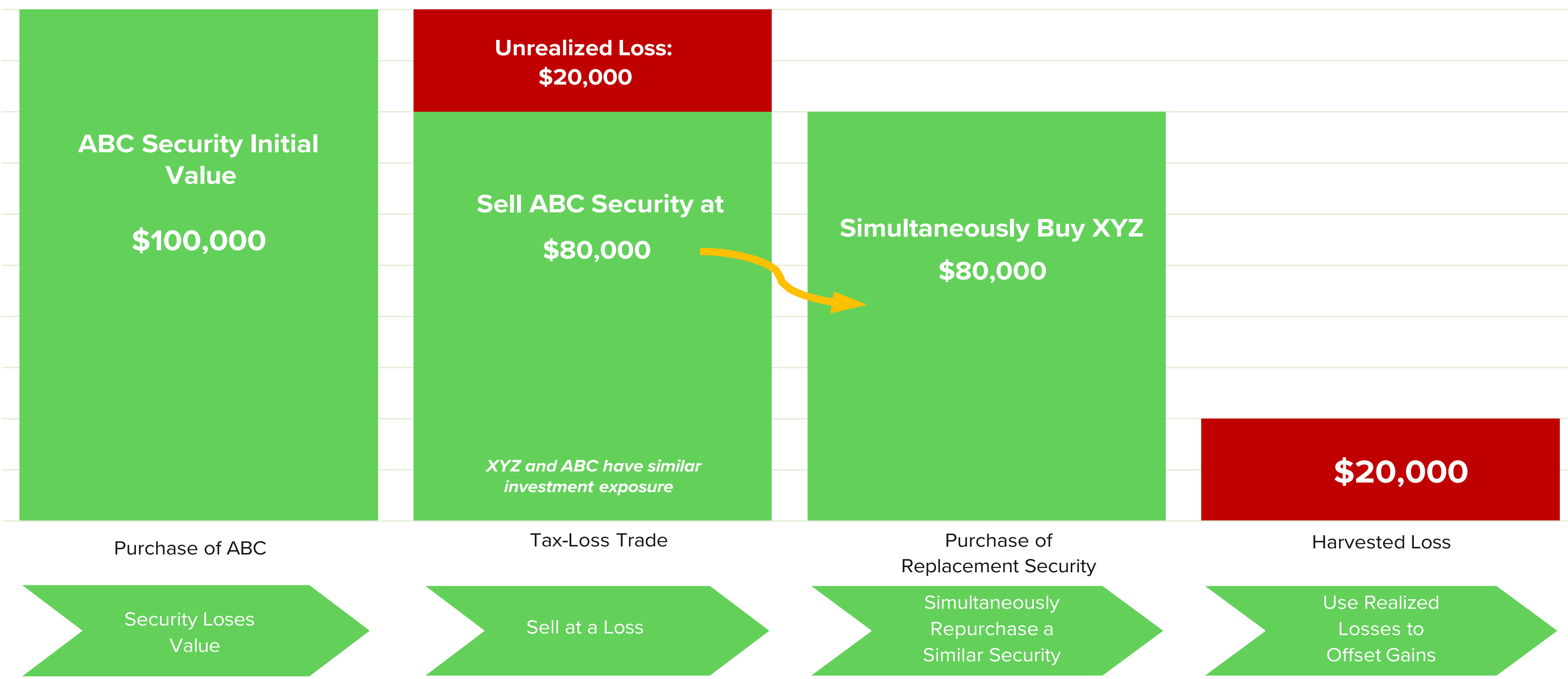
Tax-Loss Harvesting

Tax-loss harvesting is an investment strategy implemented by selling a security at a loss and simultaneously purchasing a different security with similar (not identical) exposure without ever leaving the market. The realized loss from the sold the security can be used to offset future taxable gains.

If there are losses in excess of any gains, up to $1,500 for an individual or $3,000 for married filing jointly can be used against ordinary income.

Unused tax losses can be carried forward. *Please remember that tax loss harvesting may not be appropriate for all situations and does not assure a profit or protect against a loss.*

The Benefit of Tax-Loss Harvesting



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Disclosures:

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

The Bloomberg Barclays US Treasury Bills 1-3 Month Index is designed to measure the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months. The Index includes all publicly issued zero coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and at least 1 month, are rated investment grade, and have $300 million or more of outstanding face value.

Government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

Rebalancing a portfolio may cause you to incur tax liabilities and/or transaction costs and does not assure a profit or protect against a loss.
This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

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