Trust and Asset Management Market Outlook

January 2023

Market Update
(all values as of 12.30.2022)

Stock Indices:

Dow Jones	33,147
S&P 500	3,839
Nasdaq	10,466

Bond Sector Yields:

2 Yr Treasury	4.41%
10 Yr Treasury	3.88%
10 Yr Municipal	2.59%
High Yield	8.87%

YTD Market Returns:

Dow Jones	-8.78%
S&P 500	-19.44%
Nasdaq	-33.10%
MSCI-EAFE	-16.79%
MSCI-Europe	-17.28%
MSCI-Pacific	-15.59%
MSCI-Emg Mkt	-22.37%
US Agg Bond	-13.01%
US Corp Bond	-15.76%
US Gov't Bond	-13.58%

Commodity Prices:

Gold	1,830
Silver	24.18
Oil (WTI)	80.48

Currencies:

Dollar / Euro	1.06
Dollar / Pound	1.20
Yen / Dollar	133.43
Canadian / Dollar	0.73

Macro Overview

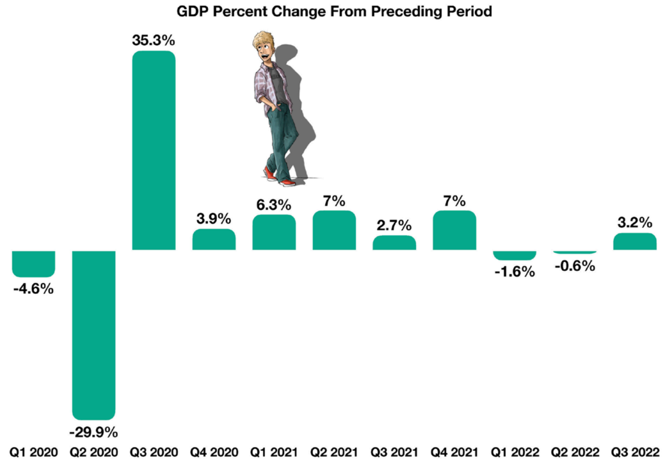
Global equity and fixed-income markets navigated through a volatile environment as 2022 unfolded to be a challenging year. The Russian invasion of Ukraine, rising interest rates, inflationary pressures, and a slowing economy all weighed on financial markets. The three major equity indices saw their largest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

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: BEA, BLS, U.S. Center for Disease Control and Prevention, U.S. Congress, Federal Reserve)

STANDARD DEDUCTIONS HAVE INCREASED TO $27,700 FOR MARRIED COUPLES IN 2023

Volatility Challenges Equities in 2022 – Equity Markets

Volatility in the global equity markets led to increased uncertainty surrounding growth and earnings expansion for companies. Inflationary pressures and higher labor costs weighed on stocks, with only two sectors of the S&P 500, energy and utilities, posting gains for the year. The consumer discretionary, real estate, communications, and technology sectors under performed the most for the year. Corporate earnings forecasts remain a focal point as companies increasingly struggle with tighter margins and a slowing economic environment. Optimistically, the challenges of the post-pandemic supply constraints have eased significantly.

(Sources: S&P, Bloomberg, New York Stock Exchange)

Short Term Rates Remain Higher Than Long Term Rates – Fixed Income

40-year highs in inflation and Federal Reserve rate hikes played havoc on bonds throughout 2022, sending short and long terms rates to levels not seen in years. Short-term rates remained higher than long-term rates at the end of 2022, indicating a continued inverted yield curve. The 10-year Treasury note yield started 2022 at 1.52%, peaked at 4.25% on October 24th, and closed the year at 3.88%. The three-month Treasury bill rate, thanks to the Fed's continuous increase of short-term interest rates to alleviate inflationary pressures, started the year at 0.06% and closed the year at 4.42%.

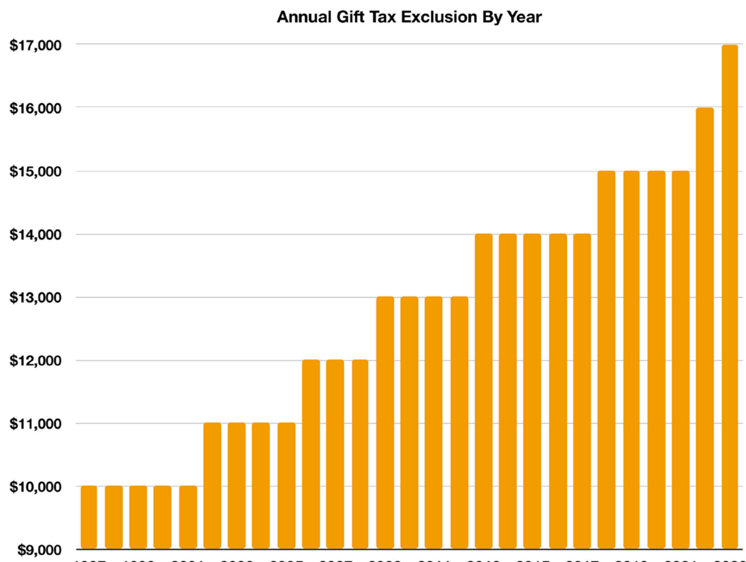
(Sources: Federal Reserve, U.S. Department of the Treasury)

Tax Changes For 2023 – Tax Planning

In 2022, inflation eclipsed 9% and reached 40-year highs as food and gasoline prices exhibited continuous spikes. Many consumers reported consistently feeling that their paychecks did not go as far as they used to, to which the Internal Revenue Service (IRS) has responded by implementing key changes for the tax year 2023. In 2023, inflation adjustments look to match the burdens created by inflation and the decrease in real wages exhibited in 2022. For marginal income taxes, all rates remain the same but now higher income amounts are taxed at lower levels. For example, while the top tax rate is still 37%, it applies to any individual income greater than $578,125 rather than the previous threshold of $539,900.

Standard deductions have increased to $27,700 for married couples in 2023, up $1,800 from 2022. The annual gift tax exclusion is up to $17,000, with 2023 being the first year the exclusion will rise only one year after it was previously increased since the exclusions inception in 1997. Itemized deductions continue to have no limitation since 2018, and the estate tax exclusion amount for 2023 will be $12,920,000, nearly $900,000 greater than in 2022. Taxes reflecting these changes will be filed in early 2024, yet will apply for the tax year 2023.

(Source: Internal Revenue Service)



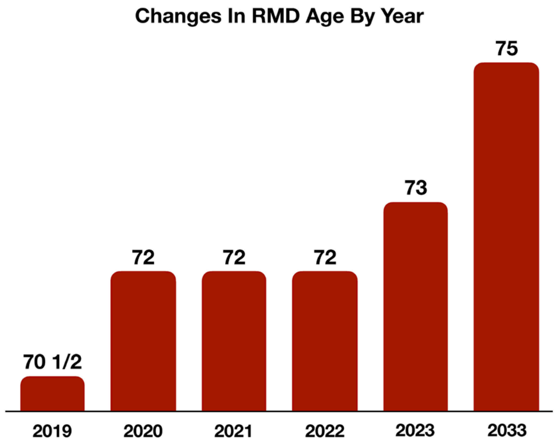
THE SECURE ACT 2.0 RAISES RMDS TO 73 IN 2023 AND TO 75 IN 2033

Highlights From The SECURE Act 2.0 – Retirement Planning

In response to an aging American population, a bipartisan retirement measure passing through Congress looks to assist Americans nearing retirement in the next decade. The measure, titled Secure Act 2.0, builds upon previous changes to retirement policies in 2019 and makes saving for retirement easier.

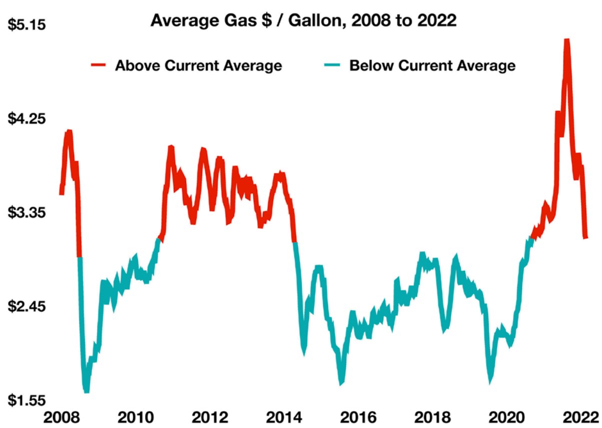
A major highlight of the Secure Act 2.0 is to increase the age at which required minmum distributions (RMDs) begin, allowing workers and retirees to leave funds in retirement accounts for longer, thus pushing off additional tax liability. In 2019, the RMD age was raised from 70½ years of age to 72. Now, the Secure Act 2.0 raises it to 73 beginning in 2023 and to 75 in 2033. These gradual changes are expected to accommodate and assist an incoming wave of baby boomers nearing retirement. With a few extra years before RMDs kick in, older workers have greater incentives to continue saving for retirement. Company sponsored retirement plans will require automatic enrollments into 401(k) and 403(b) plans, whereas it is currently only optional for employers to do so. In these plans, employers must also set up a contribution rate between 3% and 10%, plus an automatic contribution increase of 1% annually until a range of 10% to 15% is met. This provision will go into effect beginning December 31, 2024.

Another key change introduced by the Secure Act 2.0 will be allowing employer contributions for student loan payments. This would allow employers to match contributions to employee retirement plans based on student loan payments, easing the journey of saving for retirement. In the case of an emergency, Secure Act 2.0 also allows for a penalty-free withdrawal of up to $1,000 a year versus a previous 10% early-withdrawal penalty for withdrawals made under the age of 59½. Secure Act 2.0 also raises the ceilings on catch-up payments made past the age of 50, with an emphasis on payments made between the ages of 60 and 63.



(Sources: U.S. Congress; Internal Revenue Service)

Gas Prices Fall to an 18-Month Low – Oil Industry Update



Average gasoline prices have officially reached an 18-month low after extraordinary prices in 2022. The average price per gallon of regular gasoline across the U.S. stood at $3.09 at the end of 2022, which was last seen over 18 months ago in June of 2021. In 2022, several international factors including supply limitations due to the war in Ukraine led to abnormally high fuel costs for consumers. The average price per gallon across the nation eclipsed $4 for 22 weeks in a row and surpassed $5 in June of 2022. Gasoline became a financial burden for many consumers througout 2022, compounding already higher prices for other essential items.

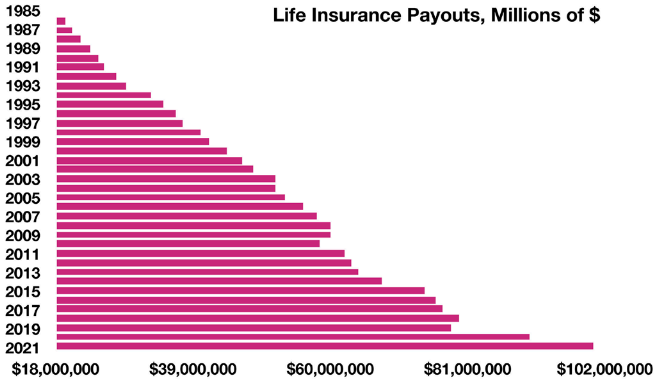
(Sources: U.S. Energy Information Administration, Federal Reserve Bank of St. Louis)

Life Insurance Payouts Pass a Record $100 Million – Insurance Overview

As the effects of the COVID-19 pandemic continue to unravel, life insurance payouts for 2021 now show just how extraordinary the deaths recorded were. While no direct link can be made to COVID-related deaths, life insurance payouts since the start of the pandemic have been reporting record highs.

STORES TO NO LONGER SELL INCANDESCENT BULBS BY JULY 2023

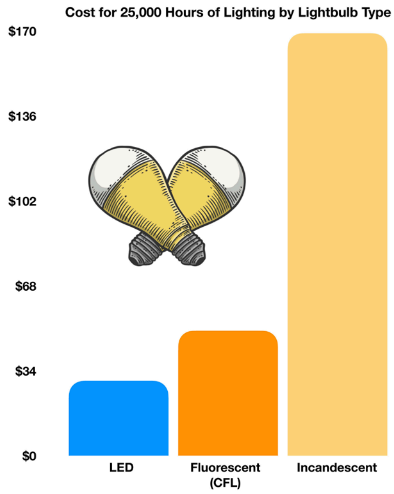
In 2020, over $90 million was paid out to beneficiaries, a 15% spike from 2019. This was the largest spike in payments since the 1918 Influenza Epidemic, which caused payments to surge by over 40%. In 2021, payments jumped yet again to over $100 million, the highest figure ever recorded. In comparison to prepandemic years, these numbers are abnormally high.



The annual surge recorded in 2020 is more than 5 times greater than the average year-over-year change in life insurance payouts from 2004 to 2019 of just over 2%. According to the U.S. Center for Disease Control and Prevention, approximately 460,000 death in the U.S. were related to COVID-19 over the course of 2021. Life insurance is utilized to ensure families do not undergo unbearable financial hardships after the loss of a loved one, and these spikes in payouts are expected to provide necessary financial support.

(Sources: U.S. Center for Disease Control and Prevention, American Council of Life Insurers, National Association of Insurance Commissioners).

U.S. Phasing Out Old Light Bulbs for LEDs – Consumer Awareness



While fluorescent and incandescent light bulbs may be widely popular in most households, the Department of Energy suggests that LED bulbs are a superior alternative for lighting. By installing LED bulbs in rooms with heavy use of lighting, households can save hundreds or even thousands of dollars over the lifetime of their bulbs. Currently, lighting accounts for around 15% of the average electricity use in U.S. homes, with LEDs offering a more efficient alternative to incandescent light bulbs. LED bulbs consume 90% less energy, which results in estimated savings of over $225 every year for the average household. LEDs also last 25 to 50 times longer than traditional light bulbs, resulting in households needing to replace them far less frequently. Data from the Department of Energy reported that in 2018 consumers saved $14.7 billion from adopting LEDs in their households. As LEDs continue to fall in price, these savings are expected to rise for consumers. The U.S. Department of Energy has officially decided that the deadline for all American stores to no longer sell incandescent bulbs will be July 2023. Many households may be hesitant to transition to LEDs due to their higher up-front costs, yet over several years of usage, the savings produced by these bulbs greatly eclipses those of incandescent or fluorescent bulbs.

(Source: U.S. Department of Energy)

To review investments, charitable or estate planning, contact us today.

BRANDON KALETKOWSKI
SOUTHERN NJ / PHILADELPHIA
bkaletko@oceanfirst.com
1.888.623.2633 x7977

CATHY FARLEY
CENTRAL NJ/NEW YORK
cfarley@oceanfirst.com
1.888.623.2633 x7972