

## It's the Most Wonderful Time of the Year

FSA Investment Group has adopted a more defensive stance in client portfolios in the 4th quarter 2022. Five of the six indicators we monitor as part of the Highland Diffusion Index- Economic, Yield Curve, Monetary Policy, Credit Spread, and Momentum – continue to signal Risk-Off. Market-based indicators like Credit Spreads and Momentum turned negative earlier in the year as spreads on investment grade and high yield bonds increased and equity markets declined. In recent months, Economic, Yield Curve, and Monetary Policy indicators have also shifted in favor of less risky assets as portions of the yield curve have inverted and the Federal Reserve continues to adopt a more restrictive strategy. Employment remains a bright spot although labor market strength provides cover for the Fed to tighten policy further.



Category	12/31/21	6/30/22	9/30/22
Economic	ON	OFF	OFF
Employment	ON	ON	ON
Monetary Policy	ON	ON	OFF
Momentum	ON	OFF	OFF
Credit Spreads	NEUTRAL	OFF	OFF
Yield Curve	ON	ON	OFF

The team continues to review whether it's time to remove its overweight to U.S. Equity vs. International Equity. After underperforming every major market from 2000 to 2008, U.S. stocks have outperformed the rest of the World by a wide margin since then. However, we are starting to see signs that this long period of U.S. equity market dominance is in the later innings and may be approaching a near-term peak in relative outperformance. Signs include a potential peak in the U.S. dollar after a strong rally

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### ABOUT OUR FIRM

We are dedicated to providing investment management and strategic wealth planning to Indian tribes and high net worth individuals. Simply put, we strive to be our client's trusted advisor. As a financial advisory firm, our primary focus is to provide unbiased opinions that are designed to achieve long term investment results.

FSA Investment Group does this with the highest levels of trust, integrity and respect while always collaborating using a team approach. We are dedicated to professionally supporting, educating, and providing informed direction to each and every client.

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and favorable valuation and dividend yield metrics outside the U.S. potentially providing a tailwind for future relative performance. On the other hand, profitability for U.S. companies continues to outpace international companies, but we are looking for inflection points which could drive us to remove this trade favoring U.S. Equity.



Source: Bloomberg; data from November 1, 2002 through November 18, 2022

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