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# BALANCE

## APRICUS

In 2022 the S&P 500 stock index fell almost 19%, albeit after two very strong years, bringing its three-year average return to just under 8%, which is very close to its long-term average. Bond markets also declined as the S&P U.S. Aggregate Bond Index fell almost 12% in 2022. While down years in investment markets are painful, they shouldn't affect your long-term investment strategy because it turns out the stock market rarely has an average year. **We have calculated that in 63 of the last 95 calendar years, the S&P 500 Index return has been at least 100% above or 100% below its long-term average.**

**At Apricus, we resolve in 2023 to maintain our balanced approach to avoiding market risk, maximizing long-term returns, and growing portfolio income. And, as always, we are looking forward to our next conversation. With best wishes for a healthy 2023,**  
*Joe, Jim, Ernie, Susi, and Lisa*

**In December, sold-out tickets for Taylor Swift concerts were being resold online for as much as \$5,000 per seat** while large retailers Walmart and Amazon were lowering prices to sell excess inventory. It seems that many of the big stories in 2022 were about the change in the price of things, including food, energy, and investment assets. In the case of consumer goods and energy, high prices dominated headlines, and, in the case of investment markets, the media reported on the falling prices of high-flying stocks, cryptocurrency, and low-yielding bonds.

| INVESTMENT RETURNS      | 2021   | 2022    | 3-year average return |
|-------------------------|--------|---------|-----------------------|
| S&P 500                 | 28.71% | -18.11% | 7.66%                 |
| S&P U.S. Agg Bond Index | -1.40% | -12.03% | -2.35%                |
| S&P 500 Value           | 24.90% | -5.20%  | 6.26%                 |
| S&P 500 Growth          | 32.01% | -29.41% | 7.54%                 |
| S&P Global 1200         | 21.55% | -16.83% | 5.32%                 |

**Can Taylor Swift shake off a \$5,000 concert ticket? As Warren Buffett wrote: Price is what you pay. Value is what you get.**

When the supply and demand for concert tickets or anything else are out of balance, the price will often change dramatically to induce buyers or sellers to act. Usually, higher prices can incentivize suppliers to increase production and consumers to purchase less; lower prices will often have the opposite effect. But...occasionally and almost always in the short run, the fear of missing out (FOMO) will induce emotional buyers to chase high prices or sellers to liquidate at the bottom.

Investment news in 2022 was dominated by a bear market in the stocks of high-flying companies and cryptocurrency. Shares of Tesla, Facebook parent Meta Platforms, and PayPal were all down more than 60% in 2022. The stock prices of companies that we prefer—well-run, profitable, conservatively capitalized, and dividend-paying companies—were on balance much less volatile.

Currently, we view the U.S. economy to be roughly in balance, with a relatively benign profit landscape. We expect inflation to continue to moderate in 2023 but not reach pre-pandemic levels, and inflation-adjusted interest rates to stay at or below 0% for some time. As we look forward, we have concerns about how rising interest rates will impact nations with excessive debt. For this and other reasons, we see global monetary policy pivoting in 2023 from a focus on inflation to managing recession risks. We view the possibility of an economic recession in the U.S. growing into 2024 as the lagging impact of higher interest rates will constrain demand for interest rate-dependent purchases.

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