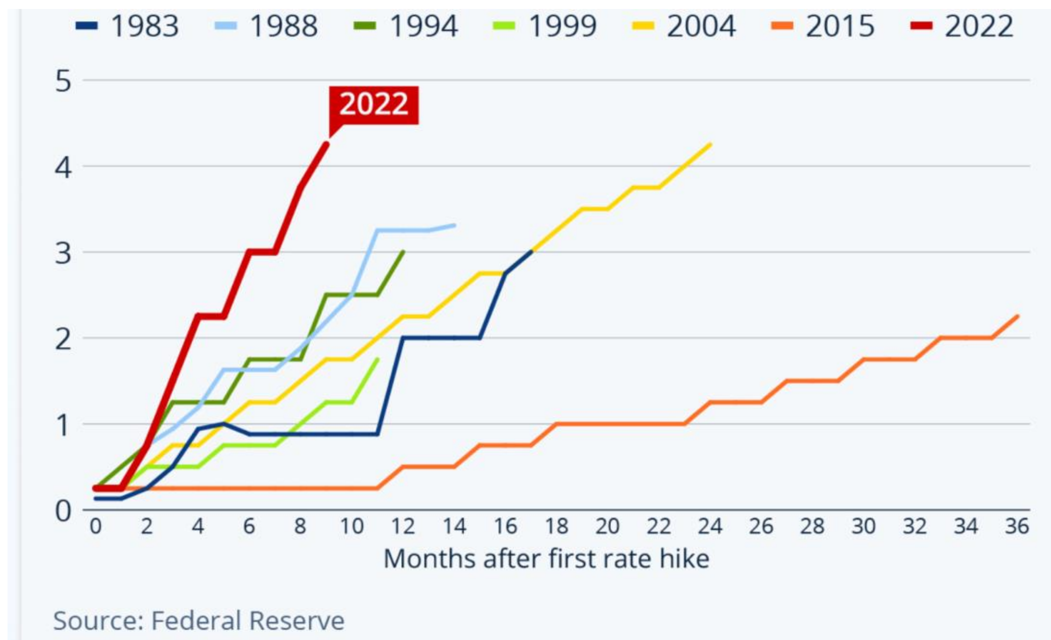
MARKETTREND[SM]
ADVISORS

January 2023

Dear Clients and Friends,

In February 2020, Covid-19 arrived and economies worldwide shut down. Stocks plunged. Oil prices went to $0 as demand suddenly dried up. Supply chains froze. Streets were deserted. The U.S. government threw money at the problem in a variety of ways, seeking to provide a financial bridge to a resolution of the pandemic (which initially was thought to be a problem of months, not years). The Federal Reserve stepped into the market bigtime, buying bonds and pushing interest rates to zero.

Fast forward two years and the Fed is trying to get things back to normal. But "normal" now is quite different than it was pre-pandemic. The supply-demand disfunction from the pandemic produced serious inflationary pressure. As the Fed had been too generous for too long before, they are now too stingy in working to reel the monetary stimulus back in. They spent 2022 ramping interest rates at the fastest pace on record. The chart below shows just how fast this rise in rates has occurred, substantially quicker than any time before.



This rapid rise in interest rates brought significant damage to the bond market, leading bonds to post their worst performance in history while also sending stocks into a bear market. Commodities were the only bright spot in an otherwise bleak year for investors.

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As we turn the page to 2023, investors are focused on two primary market drivers: 1) when will the Fed stop raising interest rates and at what "terminal" level (consensus is 5% on the 10-year note); 2) will there be a recession and, if so, how will corporate earnings be impacted? There are any number of recessionary warnings, from the sharply inverted yield curve to slowdowns in various economic indicators. November's leading economic indicators (LEI) weakened in unison with stock prices being the only outlier. And continued strength in the labor market means the Fed will maintain their hawkish stance toward higher rates to further slow the economy, making the odds of a recession even more likely.

For the stock market, we have an additional issue as a decade-plus-long bull market in growth stocks produced excessive valuations. Shares of Apple, Microsoft, Amazon, Tesla, Google, Nvidia all reached nosebleed valuation levels in 2021 and were very overdue for a pullback. That pullback is now in full swing. As these stocks account for a large percentage of the stock market, declines in their share values weigh heavily on the widely followed market indexes, like the Nasdaq 100 (QQQ). It's entirely possible in 2023 that the US stock market, as portrayed by the market indexes, will continue to look poorly, while below the surface a dramatic shift in money occurs, with share price gains occurring in overseas markets many of which are at or near historically low valuations relative the US stocks.

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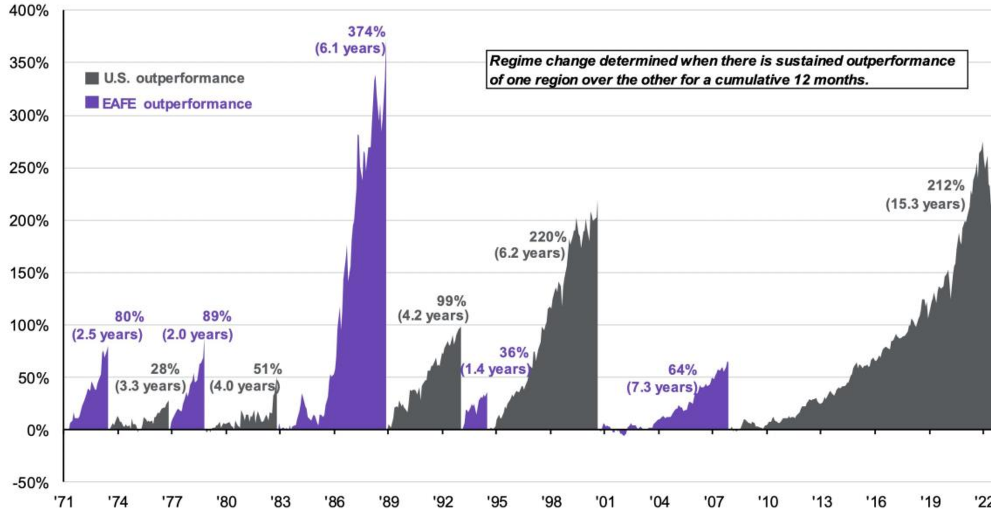

The current consensus seems to be that the stock market struggles in the first half of the year as the Fed continues its upward path. The rise in interest rates stops midyear allowing investors to begin looking toward the elements of a recovery from whatever recession is occurring, with most forecasters assuming the economic downdraft will be shallow. The chart below outlines what further weakness could look like, in terms of the S&P 500, and the importance of whether there is a recession or not.

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Here at **MARKET*TREND* ADVISORS**, we are hyper-focused on managing risk in pursuit of returns. In keeping with that goal, nearly all of our strategies outperformed their benchmarks last year, with smaller drawdowns than the broad stock market and, in some cases, notable gains. MTA Multi Asset returned -8.33%, a significant outperformance vs the benchmark -14.03% loss. A similar result was posted by MTA Turbo with a -21.78% loss versus a -32.49% loss for the NASDAQ 100 QQQ ETF. Strategies that made money in 2022 in the face of the market's losses were MTA Sector (+12.31%) and MTA Global Allocation (+23.82%) as both strategies profited handsomely from U.S. market declines while also racking up gains in international stocks during the second half rebound. If you are looking for more uncorrelated returns, with the potential for gains should the bear market continue, we invite you to consider these strategies.

To future profits,

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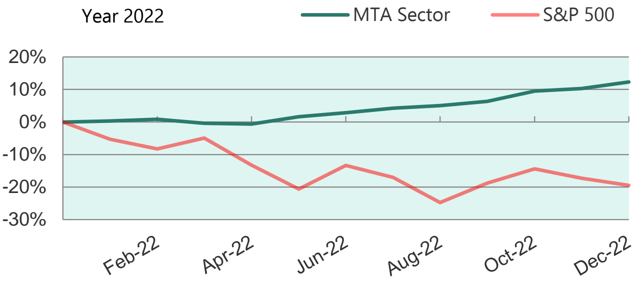
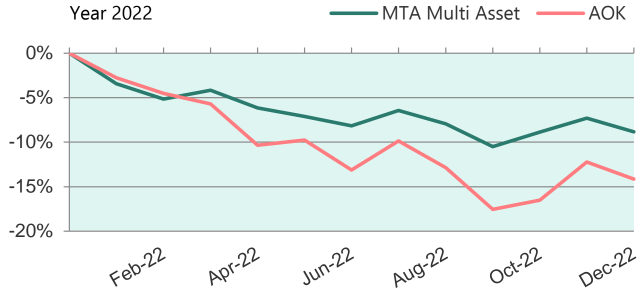
MTA Sector



2021	2022	Since Inception
0.89%	12.31%	13.31%

Inception: February 2021

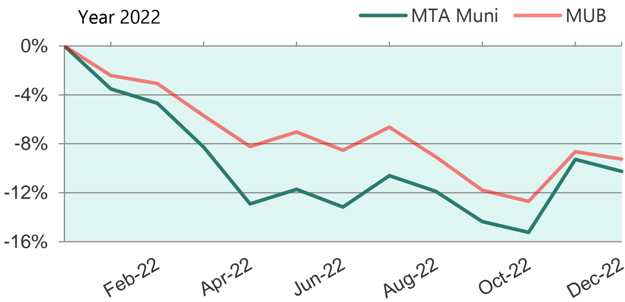
MTA Multi Asset



2018	2019	2020	2021	2022	Since Inception
-3.87%	5.71%	8.62%	8.33%	-8.83%	27.15%

Inception: January 2017

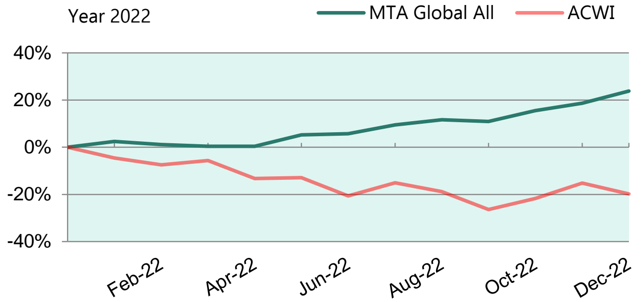
MTA Muni



2018	2019	2020	2021	2022	Since Inception
-0.68%	8.23%	-5.60%	2.85%	-10.26%	0.44%

Inception: January 2016

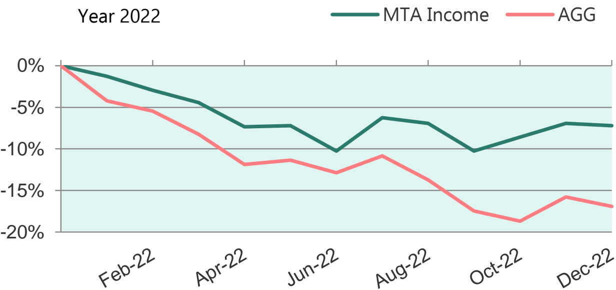
MTA Global Allocation



2018	2019	2020	2021	2022	Since Inception
-11.60%	-5.33%	-2.63%	-0.55%	23.82%	24.87%

Inception: January 2016

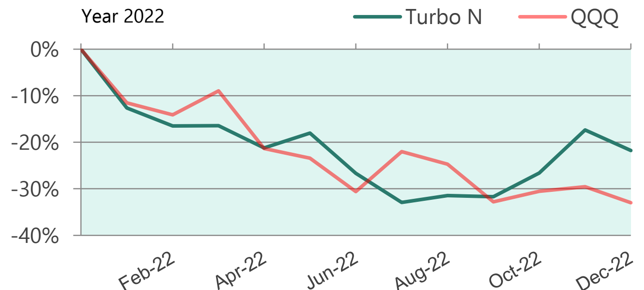
MTA Income



2018	2019	2020	2021	2022	Since Inception
-2.90%	8.94%	-3.18%	0.49%	-7.21%	22.52%

Inception: January 2010

MTA Turbo



2018	2019	2020	2021	2022	Since Inception
19.65%	3.23%	72.64%	6.22%	-21.78%	109.37%

Inception: January 2017

All returns are inclusive of commissions and management fees.

Regarding future performance: past performance may not be indicative of future results. Therefore, you should not assume that the future performance of any specific investment or investment strategy will be profitable or equal to corresponding past performance levels.

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S&P500 (^GSPC) refers to the Standard & Poor's 500 Large-Cap Corporations Index. The index is designed to measure performance of the broad based US market and consists of 500 American companies. This index is used for comparative purposes only. Data Source from Yahoo! Finance.

The iShares Core Conservative Allocation ETF (AOK) seeks to track the investment results of an index composed of a portfolio of underlying equity and fixed income funds intended to represent a conservative target risk allocation strategy.

The iShares National Muni Bond ETF (MUB) seeks to track the investment results of an index composed of investment-grade US municipal bonds. Data Source from Yahoo! Finance.

The All-Country Weighted Index ACWI is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International, and is comprised of stocks from both developed and emerging markets. Data Source from Yahoo! Finance.

The iShares Core Total Aggregate US Bond fund (AGG) seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the Barclays U.S. Aggregate Bond Index. The fund generally seeks to track the performance of the underlying index by investing approximately 90% of its assets in the bonds represented in the underlying index and in securities that provide substantially similar exposure to securities in the underlying index. The underlying index measures the performance of the total U.S. investment grade bond market. This fund is used for comparative purposes only. Data Source from Yahoo! Finance.

The Invesco QQQ ETF (QQQ) is an exchange-traded fund that tracks the Nasdaq 100 Index.