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October Newsletter

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October Letter to Clients

IBM defines cybersecurity as "the practice of protecting critical systems and sensitive information from digital attacks."

You may not be in the business of defending critical infrastructure from online threats. But fraud, identity theft, and online scams that target your finances pose significant challenges for everyone in today's digital world.

Armed with knowledge, vigilance, and a healthy dose of caution, you can minimize risks and stay safe online.

Let's Start with SPAM

We've all received emails that are obviously fraudulent. Others, however, appear to be legit. Be careful.

The best advise with SPAM is to ignore the email. It may contain links that ask for personal information. The link could be malware, which might provide the spammer with access to sensitive files on your computer.

Another risk is ransomware, which blocks access to files unless you pay a ransom (usually in Bitcoin) by their deadline.

Avoid the unpleasant choice of paying the ransom or losing files. Back up your data on the cloud and/or an external hard drive.

SPAM is also becoming more prevalent via text or instant messaging. Have you ever received an unsolicited text from a major corporation? Maybe it appears to come from Amazon, FedEx, or a well-known corporation.

While some messages provide updates and estimated delivery times, others are generated by criminals, hoping you'll respond by providing them with personal information.

Let me give you a quick example. "Answer Few Questions Get Paid (dollar emoji)." This was clearly an attempt to defraud unsuspecting recipients. Poor grammar added to its fraudulent tone.

Or, “USP-We are unable to deliver your package due to missing address information, please fill in you address promptly (includes a link).” Yes, UPS was spelled USP, and the link didn’t include UPS embedded within a random string of characters.

How might you sidestep a financial minefield? Don’t give out your email or post it publicly. Never reply since a response informs the spammer that your email or phone number is legitimate.

Think before you click on a link. Download filtering tools and anti-virus software, both for your computer and smartphone.

Social Media

Have you received a brief instant message from a Facebook friend that’s worded in a way that doesn’t reflect your friend’s personality but happens to include a link? If so, their account was probably hacked. Confirm by contacting your friend through another platform.

Have you received a friend request from an established friend on Facebook?

In most cases, a criminal has impersonated your friend’s profile. Before accepting the friend request, talk to your friend and make sure it’s legitimate. Some folks have more than one profile on Facebook.

Also, be leery of accepting friend requests from strangers. You don’t know them. Why would they send you a friend request? Consider this: would you give your phone number or address to a total stranger if asked?

Becoming a ‘friend’ with a stranger offers them a peek at your private life.

While we’re discussing Facebook (or, for that matter, social media in general), be careful what you post.

It seems harmless to mention your anniversary, pet’s name, birthday celebration, first concert you attended, or your first job. But these can provide answers to security questions that will give a fraudster access to an account.

Simply put, ignore the public post that asks, “Date yourself. What’s the first concert you attended, or first car owned?”

Watch for Online Scams

Some scams impersonate official government websites such as Social Security or the https://www.irs.gov/newsroom/avoid-scams-know-the-facts-on-how-the-irs-contacts-taxpayers IRS.

For starters, the IRS doesn’t send unsolicited emails and won’t discuss tax account information via email or use email to solicit sensitive financial and personal information from you. The IRS initiates contact with taxpayers via regular mail.

https://faq.ssa.gov/en-us/Topic/article/KA-10018 Social security scams are also a growing problem. If there is an issue, Social Security will generally send you a letter. Callbacks occur only if you’ve requested one.

Scammers may offer to increase benefits, protect assets, or resolve identity theft, but often demand payment via retail gift cards, wire transfers, pre-paid debit cards, or cash.

That is a HUGE red flag! It screams fraud! The Social Security Administration won’t ask for something like a gift card, cash, or pre-paid debit card.

They may also threaten to have you arrested or take legal action if you ignore their overtures.

Just hang up the phone or ignore the email. That seems obvious, but fraudsters wouldn’t be spending time fishing for cash if these scams didn’t work.

Cryptocurrency Scams

Scams involving, for example, Bitcoin have proliferated and scammers are looking for ways to cash in.

According to the FTC, no legitimate business is going to demand cryptocurrency in advance or payment in cryptocurrency only.

Are you being pitched a risk-free investment in crypto that guarantees big profits? If you send them money, expect to lose 100% of your investment.

Keep online dating and investment advice separate. If you meet someone on a dating site, and they want to show you how to invest in crypto or ask you to send them crypto, you’re staring down the barrel of a scam.

End contact immediately. They are only interested in mining your savings, not romance.

Dodging Identity Theft

Consider freezing your credit. When you freeze your credit report, no one can request your report. No one (including you) can apply for a loan or obtain a credit card while your credit is frozen.

Collect your mail daily and review bank statements on a regular basis.

Install and keep anti-virus software updated. This not only applies to PCs. Apple products aren't immune from malware and viruses either.

Create unique and complex passwords for each account. A good password manager program can easily assist you.

But you may use the 'default option' if you use Google Chrome as your browser. Google will automatically supply you with a random string of characters, letters, and numbers and save the password for you.

It's generally considered to be a safe option and better than recycling a password that you've used numerous times (and one that might have been stolen and is available on the dark web).

While we are on the topic of browsers, keep them updated.

Updates not only incorporate fixes, new features, and efficiencies, but more importantly, they include the latest security updates.

Free plug-ins for your browser can also provide an added layer of safety by warning you that a website you've clicked on has been compromised by hackers.

Consider two-factor authentication. When you log into an account, a code will be sent to your phone or email that you must input before you can access the account.

Final Thoughts

One can't be completely safe online. But if you are proactive and take the necessary precautions, you greatly reduce your odds of becoming a victim.

Many of the ideas we suggest may seem elementary. But in the moment we open that email, text, or answer the phone, our guard may be down. No one is immune from a momentary lapse of judgment.

You've heard the adage, a penny saved is a penny earned. Well, a healthy amount of skepticism and caution online can pay huge dividends.

A Gloomy September

For reasons that are not fully understood, September has historically been the worst month for stocks, according to the average S&P 500 return for each month (St. Louis Federal Reserve dating back to 1970).

As illustrated in Table 1, this past September was indeed a weak month. It was also the worst month of 2022 for the S&P 500 (MarketWatch, monthly return data).

	MTD %	YTD %
Dow Jones Industrial Average	-8.8	-20.9
NASDAQ Composite	-10.5	-32.4
S&P 500 Index	-9.3	-24.8
Russell 2000 Index	-9.7	-25.9
MSCI World ex-USA*	-9.6	-28.0
MSCI Emerging Markets*	-11.9	-28.9
Bloomberg US Agg TR Value Unhedged USD	-4.3	-14.6

Source: Wall Street Journal, MSCI.com, Yahoo Finance, Bloomberg
MTD returns: August 31, 2022—September 30, 2022
YTD returns: December 31, 2021— September 30, 2022
*In US dollars

What Worked Against Stocks Last Month?

Headwinds that have battered markets this year remain in place.

For starters, rate hikes. The Federal Reserve hiked the fed fund rate another 75 basis points (1 bp = 0.01%) to 3.00%‐3.25% last month, maintained its aggressive stance, and suggested in its economic projections that we might see another 125 bp by year-end.

Why is the Federal Reserve raising interest rates at a pace not seen since the second half of 1980? (Rate data from the St. Louis Federal Reserve) Inflation remains stubbornly high.

Ultimately, price stability is the foundation of a strong economy and long-lasting economic expansion. But the Fed's rate-hike hammer hasn't landed without pain.

While the Federal Reserve is not publicly forecasting a recession, its latest set of projections released last month show it believes its inflation-fighting campaign will boost the unemployment rate next year.

Investors are also growing concerned the economy could sink into a recession next year, which would depress earnings.

In addition, the sharp increase in interest rates has led to a much stronger dollar since parking cash safely in the U.S. offers a higher return to foreign investors.

A strong dollar reduces the price of imported goods and the cost of an overseas vacation, but the rapid increase in the greenback against foreign currencies is raising fears the Fed could unintentionally "break" something in the financial markets, either at home or abroad.

It happened during the early 1980s, when sharp rate hikes put a heavy strain on Latin America, and again in 1994, when rate hikes exacerbated problems in Mexico, leading to a bailout. It also led to bankruptcy in Orange County, California.

We're not forecasting an imminent financial crisis, and any unexpected shift by the Federal Reserve could alleviate financial market pressures.

That said, we recognized that the Fed's steely resolve to bring down inflation has created pain in financial markets.

Bear History

Taking a longer-term view, we want to emphasize that bear markets eventually come to an end, and bottoms typically occur when negative sentiment is high.

According to https://www.schwab.com/learn/story/market-volatility Charles Schwab, the average bull market since the late 1960s ran for about six years, delivering an average cumulative return of over 200% for the S&P 500 Index.

The average bear market lasted roughly 15 months, with an average cumulative loss of 38.4%.

The longest bear market lasted just over two and a half years. It was followed by a nearly five-year bull run. The shortest occurred in 2020 and lasted only 33 days.

One Final Remark

We won't venture to guess how October might end, and we would counsel against making portfolio adjustments based on a one-month time horizon.

October has a spooky reputation—1929, 1987, 2008. Since the 1970s, it has been a volatile month (Advisor note: standard deviation of monthly returns of 6.3% is the highest monthly reading) but historically has been a strong month, according to S&P 500 data (St. Louis Federal Reserve).

I trust you've found this review to be educational and insightful. If you have any questions or would like to discuss any matters, please feel free to give me or any of my team members a call.

As always, thank you for the trust, confidence, and the opportunity to serve as your financial advisor.

Dow Jones Industrial Average Index (DJIA): The oldest continuing US market Index, includes 30 "blue-chip" US stocks selected for their history of successful growth and wide interest among investors. It is called an average because it originally was computed by adding up stock prices and dividing by the number of stocks. This methodology remains the same today, but the devisor has been changed to preserve historical continuity.

NASDAQ Composite Index (NASDAQ): A market-value weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market.The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The Index is one of the most widely used benchmarks of US Equity Large Cap performance.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The Russell 2000 Index represents a very small percentage of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Small and Mid Cap performance.

MSCI World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries*--excluding the United States. With 887 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of June 30, 2015 the MSCI Emerging Markets Index consisted of the following 23 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Russia, Qatar, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measuresthe investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includesTreasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABSand CMBS (agency and non-agency)