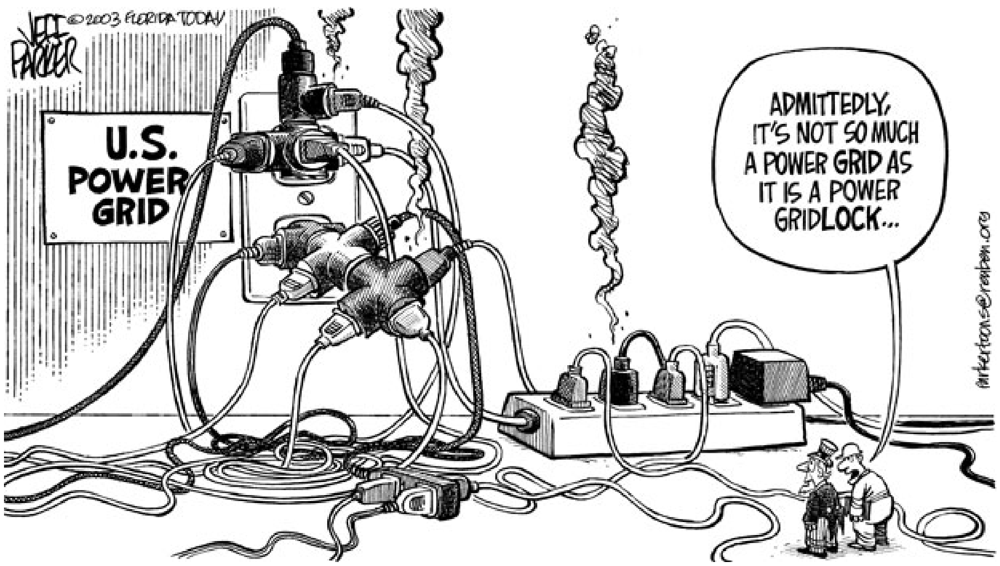
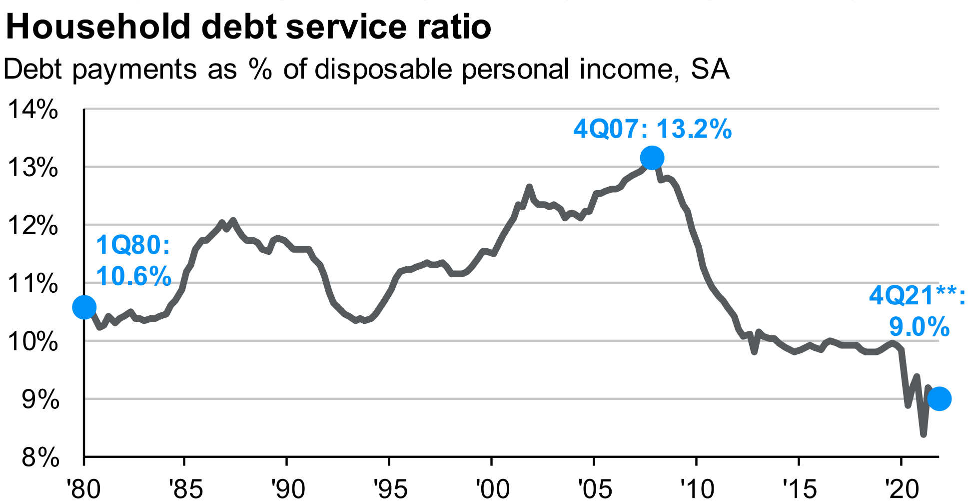
Archer Investment Corporation
BALANCED INVESTMENT MANAGEMENT

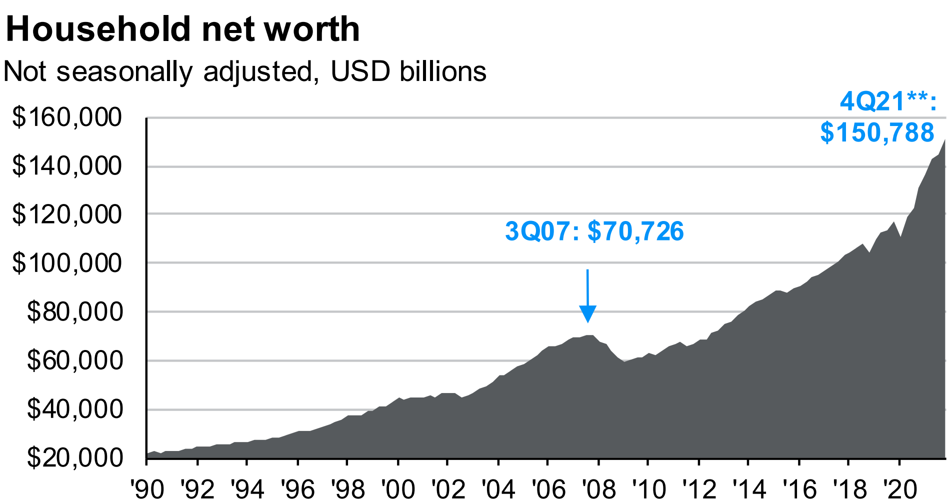
11711 N. College Ave. #200
Carmel, IN 46032
www.thearcherfunds.com

Archer 2022 Annual Outlook:



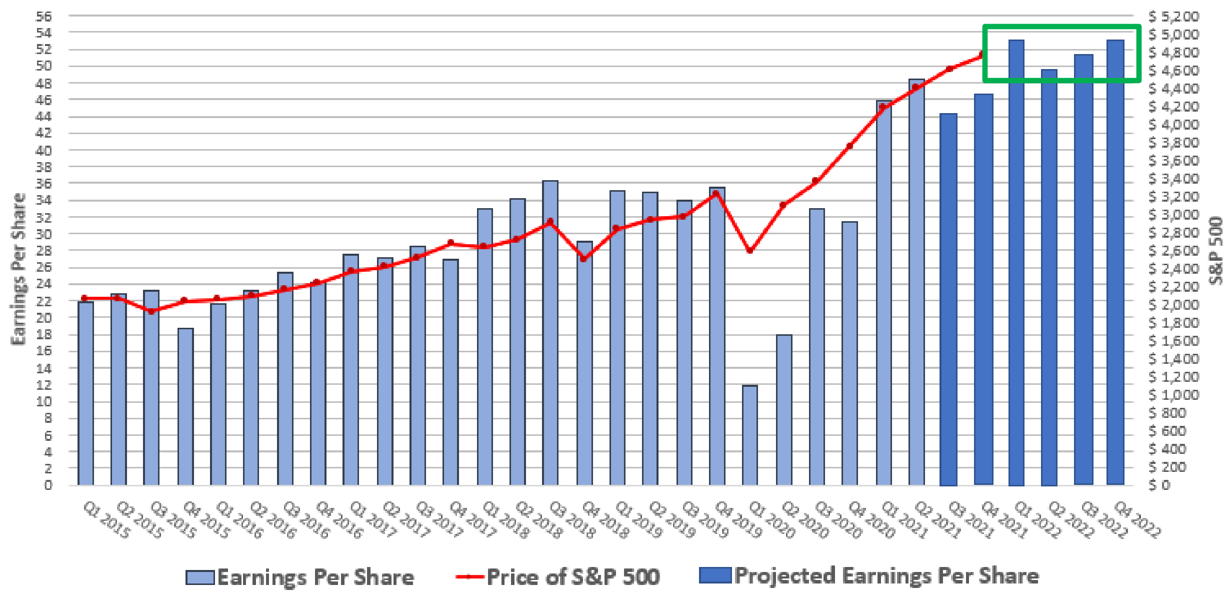
Much like the cartoon above, we are often warned about the political gridlock in Washington creating a potential economic disaster. However, it could not be further from the truth. It is actually more the norm than the exception. As we enter 2022 with hopes of more normalization, we must accept the fact COVID is here for another year at least. The difference is how we will learn to live with it. As far as politics go, we expect more gridlock in 2022 and really not much done in the way of tax hikes. We also expect the Build Back Better program to be on the outside looking in. With recent political races in November showing that in order for moderate democrats to be reelected, they will have to pass on any major legislation or tax hikes or their time at the funny farm will come to an end. This should bode well for the consumer, who has already had a windfall the last two years in terms of disposable income and net worth. See the charts below. For our economy to fare well, we need strong consumers and those who want to work need to have jobs. We did not include the jobs graph, but there are enough jobs for every individual who wants to work, although some may not be the exact position they would like.



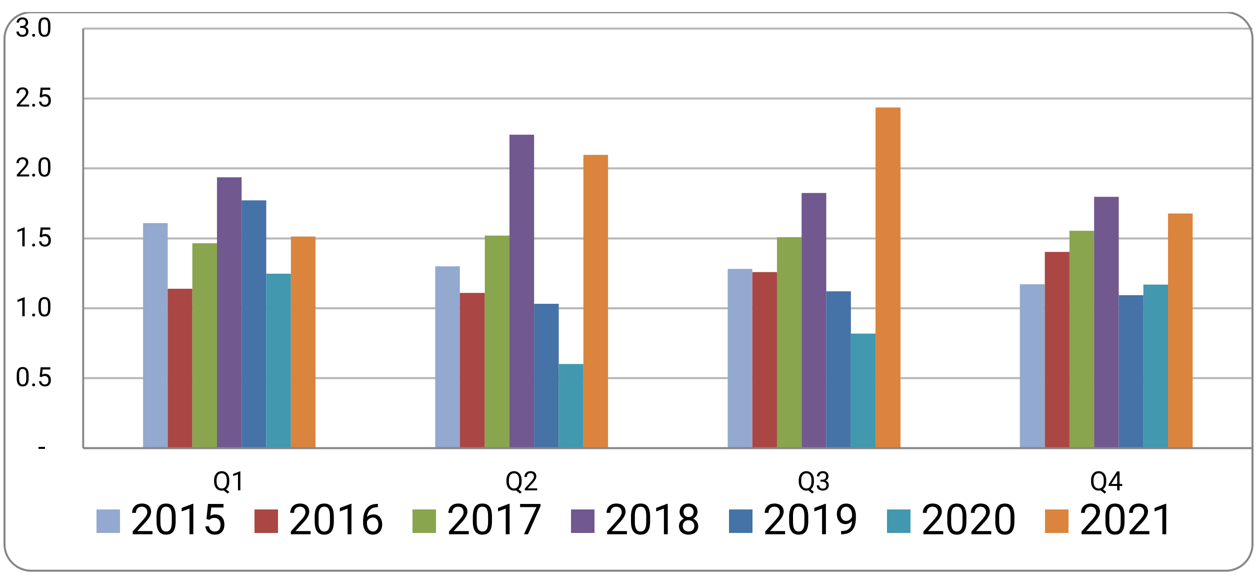


The key to maintaining a strong consumer is continued increase of corporate profits. This is one area that needs to advance for the stock market to advance as well. During 2021 we saw corporate profits rise well above the muted 2020 profits. However, as we get into 2022, profits will be closer to our long-term trend.

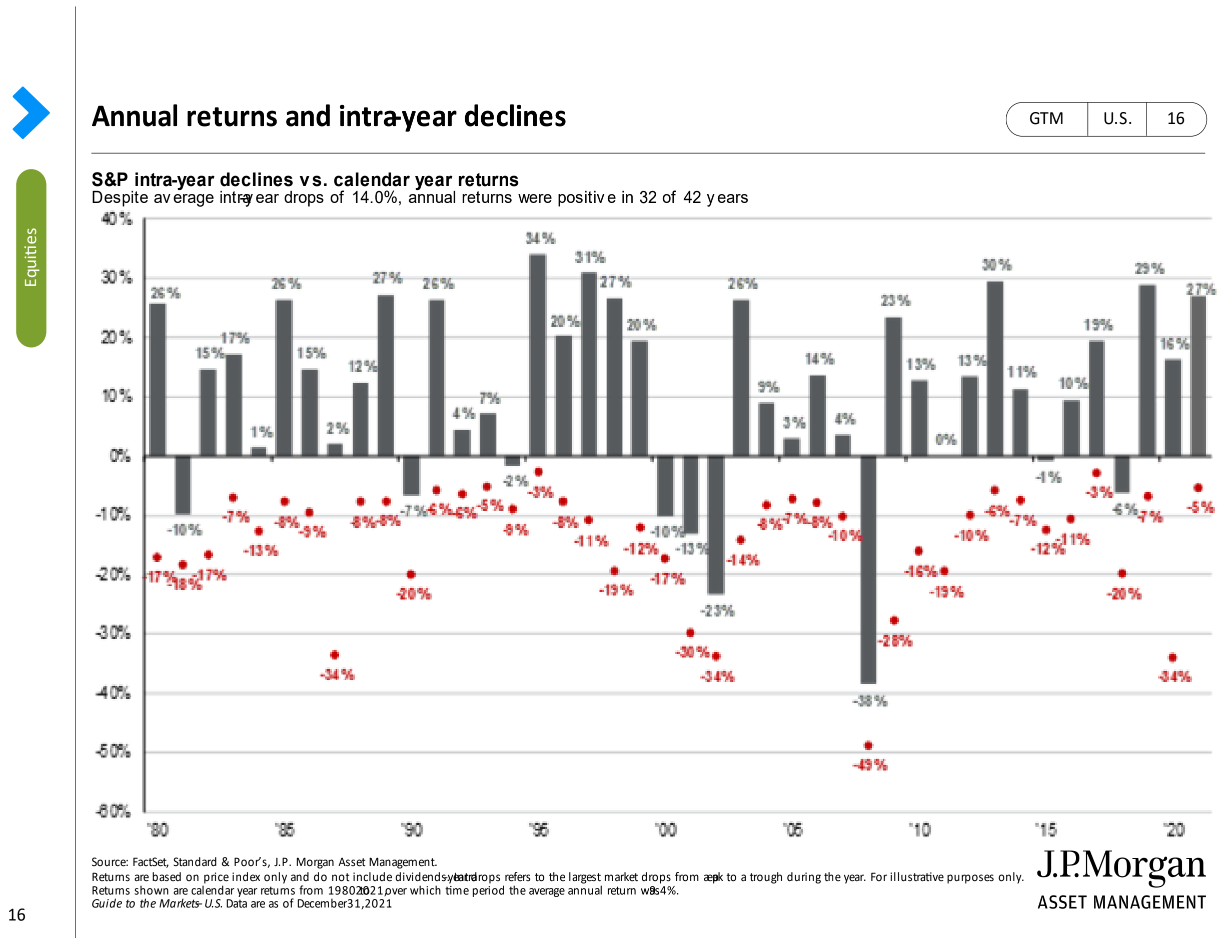
If you look at the chart on the next page, the first quarter 2022 profits are expected to be higher than any quarter in 2021. Each quarter in 2022 is expected to be higher than 2021. Most analysts are expecting about a 10% rise in corporate profits. Some of this will come as inventory levels get back to normal and the supply chain continues to improve. This should help reduce inflation as backlogs and inventory levels become more normalized.



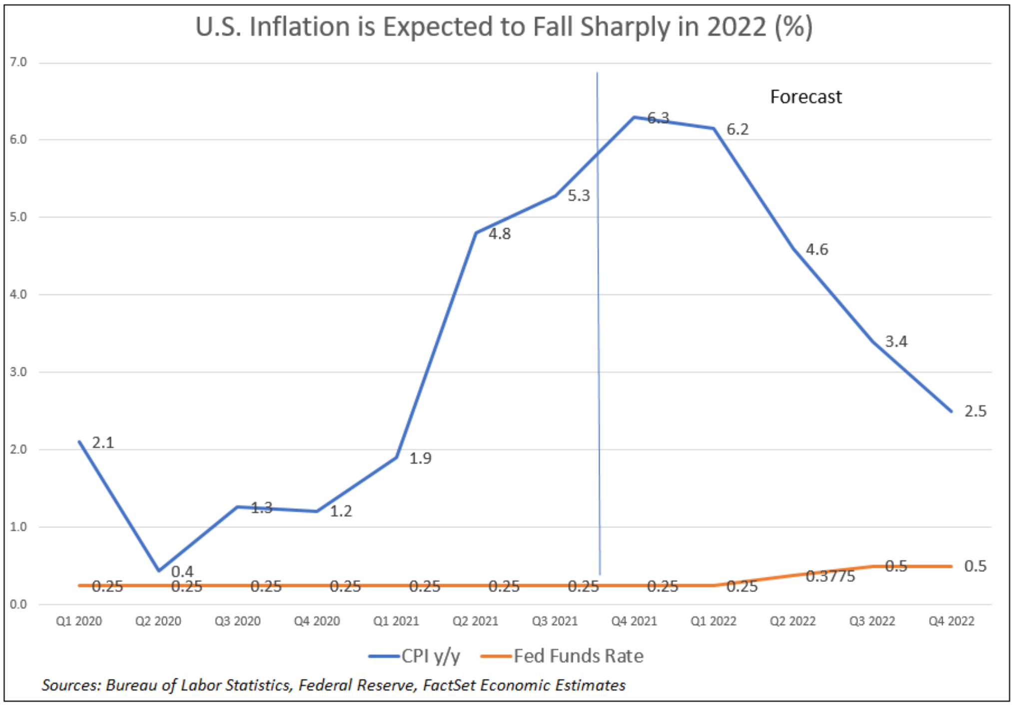
One chart we continue to put into our quarterly and annual outlook is the chart below. It depicts whether earnings have risen or fallen from the previous quarter. If the majority of the companies are reporting higher earnings at a ratio of 1.2 to 1, then the economy is healthy. Anything less than 1.0 would give us concern the economy is having difficulty. As we can see below, 2020 comparisons were easy to beat, because of COVID. For 2022, we will be watching whether a majority of the companies are reporting higher earnings, which will confirm our outlook as we progress into 2022.



We would like to shift our focus to the stock market in general. We think this chart is a great reference tool for individual investors. We are often asked, is now the time to sell, or should we wait to invest? As you can see in the JPMorgan chart, despite average drops of 14% during the year for the S&P 500, nearly 75% of the time, the market has had positive gains. The market may move up 10% before it moves down 6%. If you are looking for the low, it is extremely difficult to assess and predict. It is better to have a goal of investing over time, instead of timing the market. Over the long-term, even if you are right one out of three times you may find yourself underperforming had you just stayed invested.



We would like to revisit one item we discussed last quarter: INFLATION. If inflation continues at the rate we have seen over 2021, we could see some headwinds in the market, and it would likely point to value investing making a comeback. However, from the chart below, we are expecting backorders to continue their decline and inventories to rebuild. Once this rebuild of inventories gets to normal levels, we should see backlogs begin to come down as well. They have dropped a bit in 2021, but not yet to normal levels. The end result of both of these supply chain disruptions will be an easing of inflation. We expect inflation to drop, but not get back to where we were pre-COVID. The main reason, our government has created increased purchasing power for consumers, government entities, and corporations.



TIME IN THE MARKET:

Since 1950, the S&P 500 index has been up 54% of the 18,118 trading days, 61% of 864 months, 67% of 288 quarters, and 74% of 72 years.

MISSING THE BEST

The total return for the S&P 500 over the last 30 years was a gain of +10.6% per year (total return, 1992-2021). If you missed the 30 best percentage gain days over the last 30 years (i.e., 30 days in total, not 30 days per year), the +10.6% annual gain falls to a +4.4% annual gain. Often, some of the largest gains come just weeks or days following some of the largest declines. March 16, 2020 the S&P 500 declined 11.98%, and then rebounded 9.38% on March 24th, 2020.

We continue to see positive returns for 2022, given an increase in corporate profits, inflation getting in check and the labor market remaining positive. We do see the returns being much lower than the previous three years, but positive nonetheless.

Regards,

The Archer Team