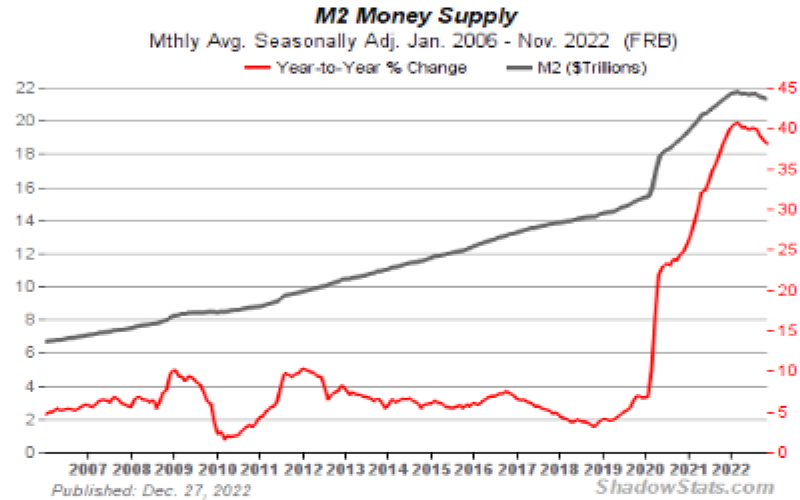
Archer
Investment Corporation
BALANCED INVESTMENT MANAGEMENT

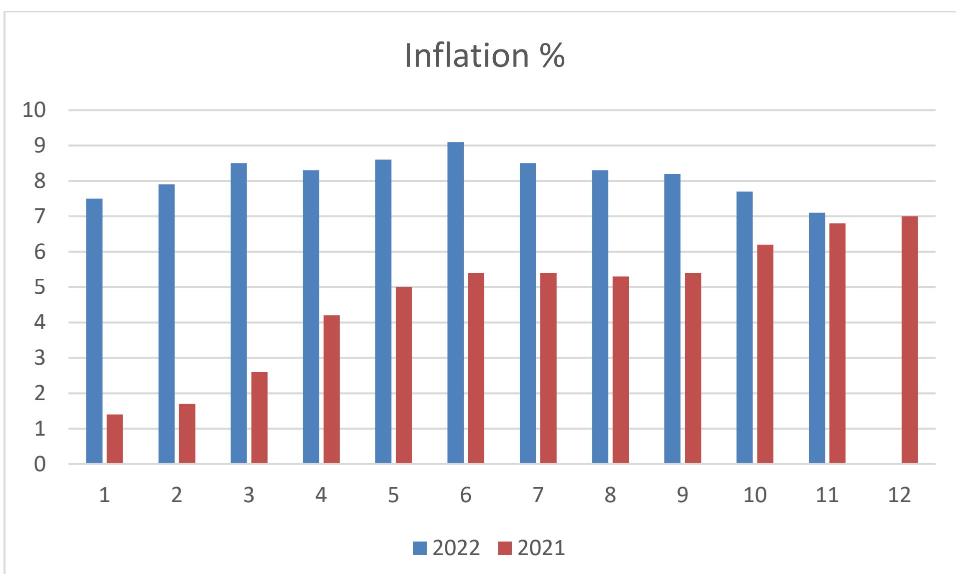
11711 N. College Ave. #200
Carmel, IN 46032
www.thearcherfunds.com

Archer 2023 Annual Outlook:

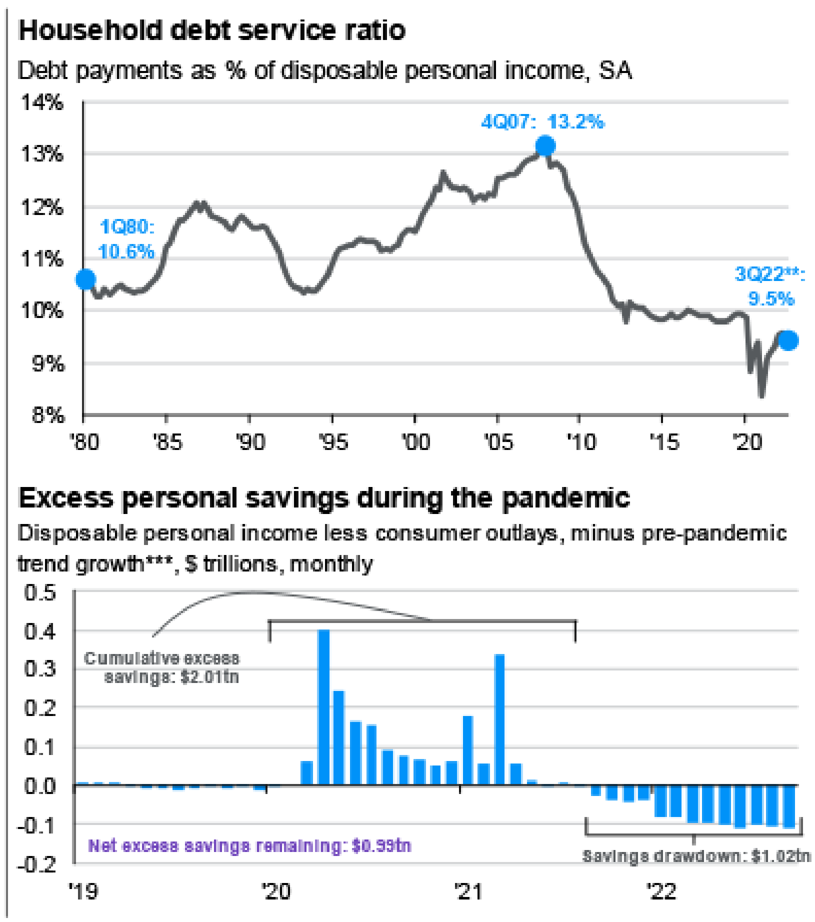
Inflation is the name of the game in 2023. Many were certainly hoping inflation would come back in check based on the call, "inflation is only transitory". Clearly, the experts were wrong. We printed so much currency as a country, the FED can not get it out of your pockets fast enough. We are starting to see Money Supply as measured by M2 (savings, checking, retirement accounts below $100k, CDs, etc.) shrink for the first time in over 12 years. On the following chart, courtesy of ShadowStats.com, you can see how it is declining. The FED is attempting to reduce the amount of money that is sloshing around the economy which is driving up prices: Also known as inflation.



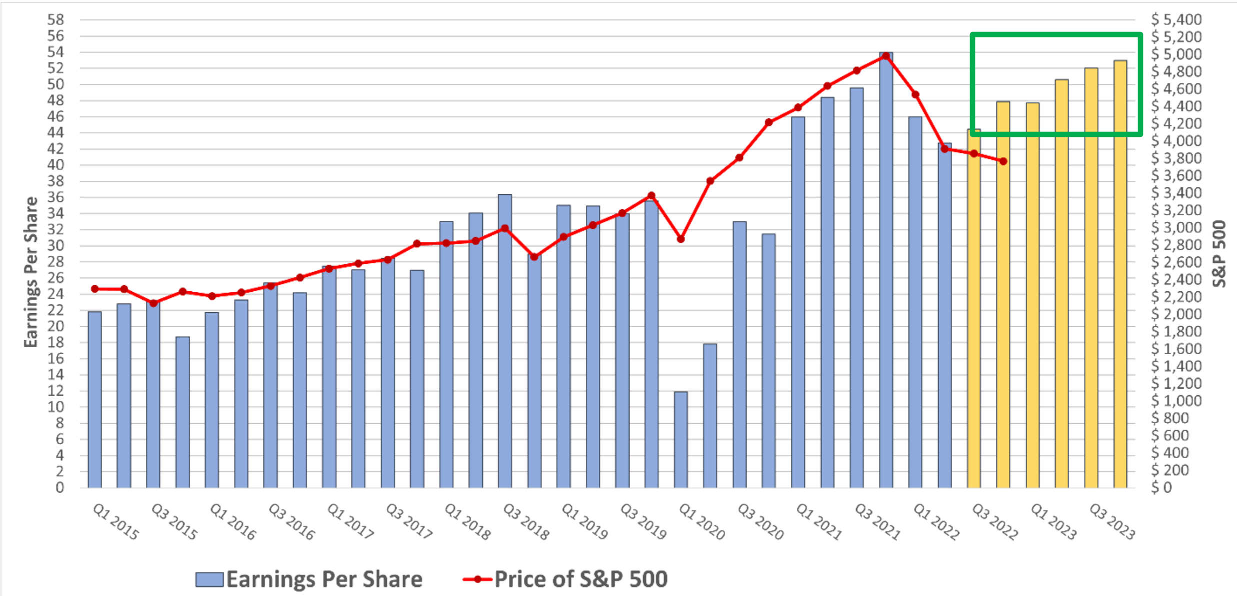
There are three things we were looking for to keep the market intact for 2022, Earnings, Inflation, and Employment. While earnings and employment held steady, inflation pushed the stock market lower by compressing the earnings multiples as investors were scared that inflation would not get in line. The next graph shows the year over year change in inflation and the subsequent decline. The latest reading was 7.1% which is still a negative for the stock market, but much better than the 9.1% reading we saw in June. The market responded favorably by bouncing back a bit to show it cares about the inflation numbers. The next reading is January 12th, and we will see if this reduction in inflation trend continues. If it does not get back to the level we saw in early 2021, the FED may continue their rate hikes until the average consumer spends much of their savings and starts to tighten up their wallet.

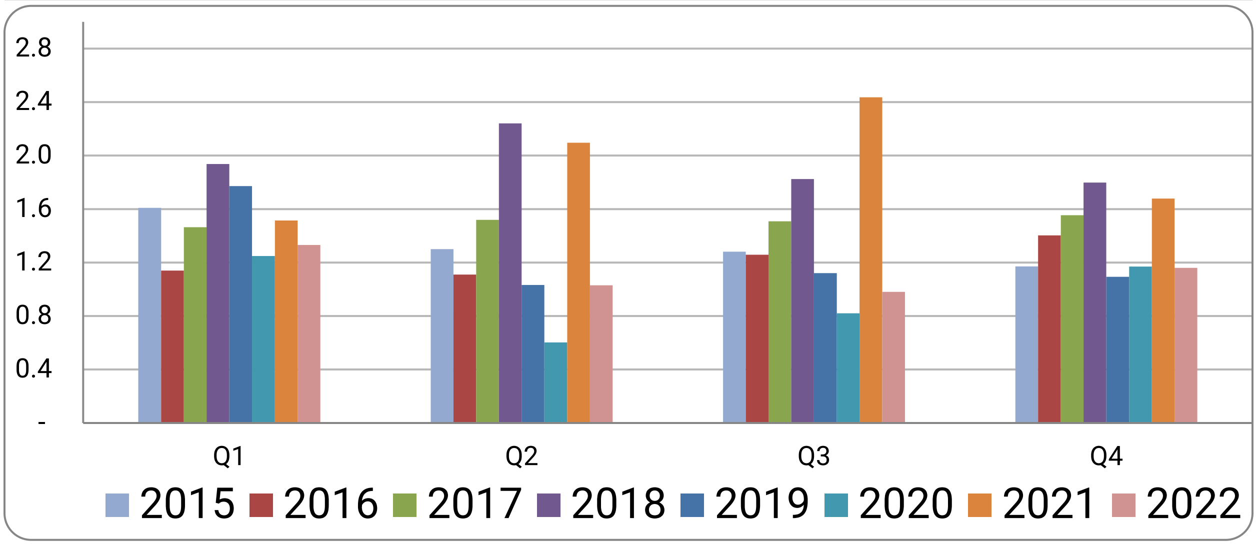


The FED is going to force inflation down by attempting to dry up liquidity (meaning money). The problem with this exercise, if it starts to impact employment of consumers and earnings of corporations, it will likely throw us in a recession. The FED is betting it can dry up liquidity before corporate earnings fall too far, which would reduce GDP and throw the economy into a recession. In fact, we think the FED would declare a victory with a minor recession and inflation dropping to 3-4% levels…. As you can see from the JPMorgan estimates below, households are still in great shape financially and although they have drawn down nearly $1 Trillion in Savings, we are still $1 Trillion of personal savings ahead of pre-pandemic levels.



Let's turn our focus to earnings. As we have discussed before, for the stock market to move higher, earnings need to move higher as well. This, coupled with lower inflation readings and employment remaining steady, is a positive for the markets. Earnings for the most part are continuing to show resilience in the face of the FED raising interest rates. In fact, as we have shown in the past and on the second graph below, we can not focus on the earning's past, but earnings present and future are more important. The stock market will likely follow the earnings. The second chart shows earnings for the fourth quarter of 2022 rebounded above 1.0, meaning more companies reported higher earnings than a year ago vs. lower earnings as we saw in the third quarter. This is good news. If we can maintain this level of earnings growth as depicted in the current estimates of the tail end of 2022 and 2023 in the yellow bars, we could likely see the stock market follow suit and move higher. However, we are only likely to move higher, if we see inflation get in check as previously discussed.





So you might be asking, where do we invest? The most successfule investor is one who can maintain a long-term investment horizon. We continue to favor value and dividend paying companies over high growth, high multiple stocks. We have shown in quarters past how staying invested in the market makes the most sense long-term. Trying to pick a bottom with the idea of when to get in and out is not a good way to invest and will usually result in underperformance.

We will be diligent in watching earnings, inflation, and employment. We like the prospects of the stock market if those numbers are all favorable together.

Regards,

The Archer Team

Past performance is not a guarantee of future results.

This Market Update reflects the thoughts of Archer Investment Corporation as of September 30, 2022. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision, nor should it be considered a recommendation. The views and opinions expressed are those of the Investment Managers at the time of publication and are subject to change. There is no guarantee that these views will come to pass. As with all investments, there are associated inherent risks. Please obtain and review all financial material carefully before investing.

The indices cannot be invested in directly. The returns of the index do not include any transaction costs, management fees or other costs.

The value of an investment may fall as well as rise. Please note that different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be suitable or profitable for a client or prospective client's investment portfolio. Investor principal is not guaranteed and investors may not receive the full amount of their investment at the time of sale if asset values have fallen. No assurance can be given that an investor will not lose invested capital. The actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, durations and timing of participation in an investment. A client portfolio's risk tolerance, investment objectives, and investment time horizon should be considered with any investment. All investments carry a certain degree of risk, including the loss of principal and are not guaranteed by the U.S. government.

Archer Investment Corporation ("AIC") is an investment adviser registered under the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training. For more information, please visit adviserinfo.sec.gov and search for our firm name. Opinions expressed by AIC are based on economic or market conditions at the time this material was written. Economies and markets fluctuate. Actual economic or market events may turn out differently than anticipated. Facts presented have been obtained from sources believed to be reliable. AIC, however, cannot guarantee the accuracy or completeness of such information, and certain information presented here may have been condensed or summarized from its original source.