

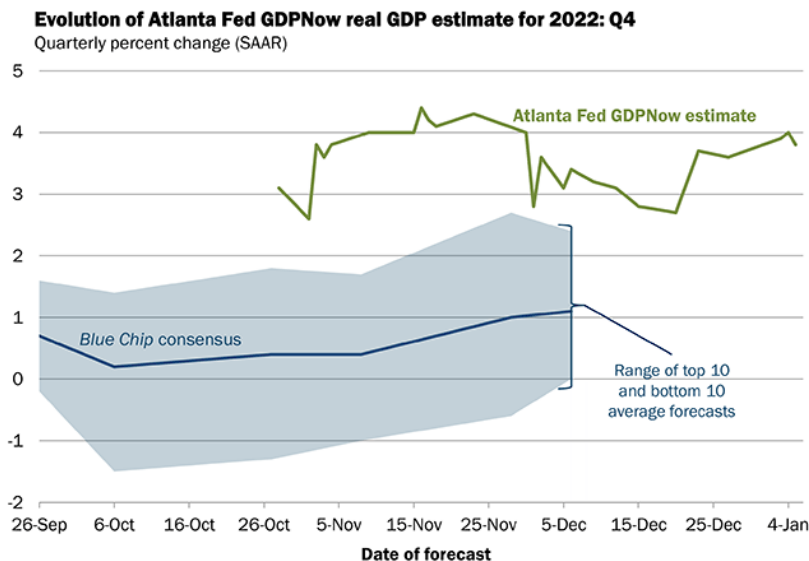


January 6, 2023

Dear Readers, we hope you have had a wonderful start to 2023. It's the time of year when we read countless market prognostications from a nearly infinite number of banks/commentators. Such summaries are tedious to read; we wish GPT3 could read them for us. Suffice it to say, nearly every commentary is assured 2023 will see a recession in the US. What a recession means for investors, however, is defined differently by each commentator. At RPG, we are somewhat optimistic about 2023. What if a US recession does not happen? Today, Friday, January 6, 2023, the US Bureau of Labor Statistics released its December 2022 employment data. The US unemployment rate is 3.5 percent. We know that recessions come in all shapes and sizes, but it is increasingly hard for us to understand how the US will enter a recession this year. Of course, because we typed this paragraph, it surely will.

To review estimates of the US economy in the fourth quarter of 2022, we refer to the US Federal Reserve Bank of Atlanta's [GDPNow](#). On January 5, 2023 the GDPNow stated: "The GDPNow model estimate for real GDP [gross domestic product] growth (seasonally adjusted annual rate) in the fourth quarter of 2022 is 3.8 percent." In the US, a 3.8 percent GDP growth is very good.

Tellingly, the GDPNow model includes a graph (below). This graph reveals the model's volatility, and importantly, it shows the GDPNow estimate versus the consensus estimates of economists. As the graph shows, the professional economists were far too pessimistic about US GDP growth. The stock market is not the economy. The economy is not Meta or Tesla. It is entirely plausible to have horrible equity markets regardless of the economy. Indeed, 2020 was a great year for asset markets, but a bad year for economies.



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

2022 Benchmark Returns (Total Return)



January 6, 2023

Benchmark Returns	Q4	YTD
Fixed Income Benchmarks		
Barclays Muni 1-10 Year (Total Return)	3.12%	-4.84%
Bloomberg US Aggregate (Total Return)	1.87%	-13.01%
Bloomberg Global Aggregate (Total Return)	4.55%	-16.25%
USA Benchmarks		
S&P 500 (Total Return)	7.56%	-18.11%
S&P 500 Growth (Total Return)	1.45%	-29.41%
S&P 500 Value (Total Return)	13.59%	-5.22%
NASDAQ (Total Return)	-0.79%	-32.54%
NASDAQ 100 (Total Return)	-0.04%	-32.38%
Russell 2000 (Total Return)	6.23%	-20.44%
Dow Jones Industrial Average (Total Return)	16.01%	-6.86%
Global Benchmarks		
MSCI ACWI ex-US (Total Return)	14.37%	-15.57%
MSCI Emerging Markets (Total Return)	9.79%	-19.74%
MSCI Europe (USD) (Net Return)	19.35%	-15.06%
MSCI Japan (USD) (Net Return)	13.23%	-16.65%
Hang Seng (HKD) (Total Return)	15.03%	-12.54%
MSCI AC Asia Pacific (Total Return)	12.52%	-16.92%
MSCI Russia (USD) (Net Return)	-	-100.00%
Currency		
USD DXY	-7.67%	7.87%
Commodities		
Bloomberg Commodity Index	2.22%	16.09%

Source: Addepar, as of 12/31/2022



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S&P 500 - 2022 Best & Worst

S&P 500 Best - 2022 (% Change)		
Name	Ticker	% Change
Occidental Petroleum Corp.	OXY	119.25%
Hess Corp.	HES	94.21%
Exxon Mobile Corp.	XOM	88.64%
Marathon Petroleum Corp.	MPC	88.27%
Schlumberger Ltd.	SLB	81.94%

S&P 500 Best - 2022 (Points Contribution)		
Name	Ticker	Points
Exxon Mobile Corp.	XOM	26.42
Chevron Corp.	CVX	15.09
Merck & Co Inc.	MRK	11.00
Eli Lilly & Co.	LLY	8.69
ConocoPhillips	COP	7.86

S&P 500 Worst - 2022 (% Change)		
Name	Ticker	% Change
Generac Holdings Inc.	GNRC	-71.48%
Match Group Inc.	MTCH	-68.85%
Align Technology Inc.	ALGN	-68.15%
Silicon Valley Bank Group	SIVB	-66.13%
Tesla Inc.	TSLA	-65.47%

S&P 500 Worst - 2022 (Points Contribution)		
Name	Ticker	Points
Amazon.com Inc.	AMZN	-88.33
Apple Inc.	AAPL	-86.29
Microsoft Corp.	MSFT	-86.03
Tesla Inc.	TSLA	-72.44
Meta Platforms Inc.	META	-61.93

Source: Bloomberg, as of 12/31/2022

- 2022 was the seventh worst year on record for the S&P 500.
- A bad decade to come? Valuation peaks such as those that occurred in 1929, 1966, and 1999 were followed by at least a decade before stock price indexes made new highs.

For the Week

US equity performance was positive for the week with the S&P 500 up 1.45 percent, and the NASDAQ and Technology Select Sector (XLK) returning 0.98 percent and 0.23 percent, respectively. This was the first week in six that the US markets were positive. The U.S. Aggregate Bond ETF (AGG) was up 2.17 percent. In global markets, the MSCI ACWI ex-US ETF (ACWX) was up 4.15 percent. The Global Aggregate Bond ETF (AGGG) was up 1.20 percent.

This week's best-performing stock in the S&P 500 was Warner Bros Discovery Inc. (Ticker: WBD +19.41 percent). After going through a rough restructuring throughout 2022, the company is finally seeing the light at the end of the tunnel. Warner Bros has finalized its content strategy and will release its combined HBO Max and Discovery + streaming service "Max" in Spring 2023.

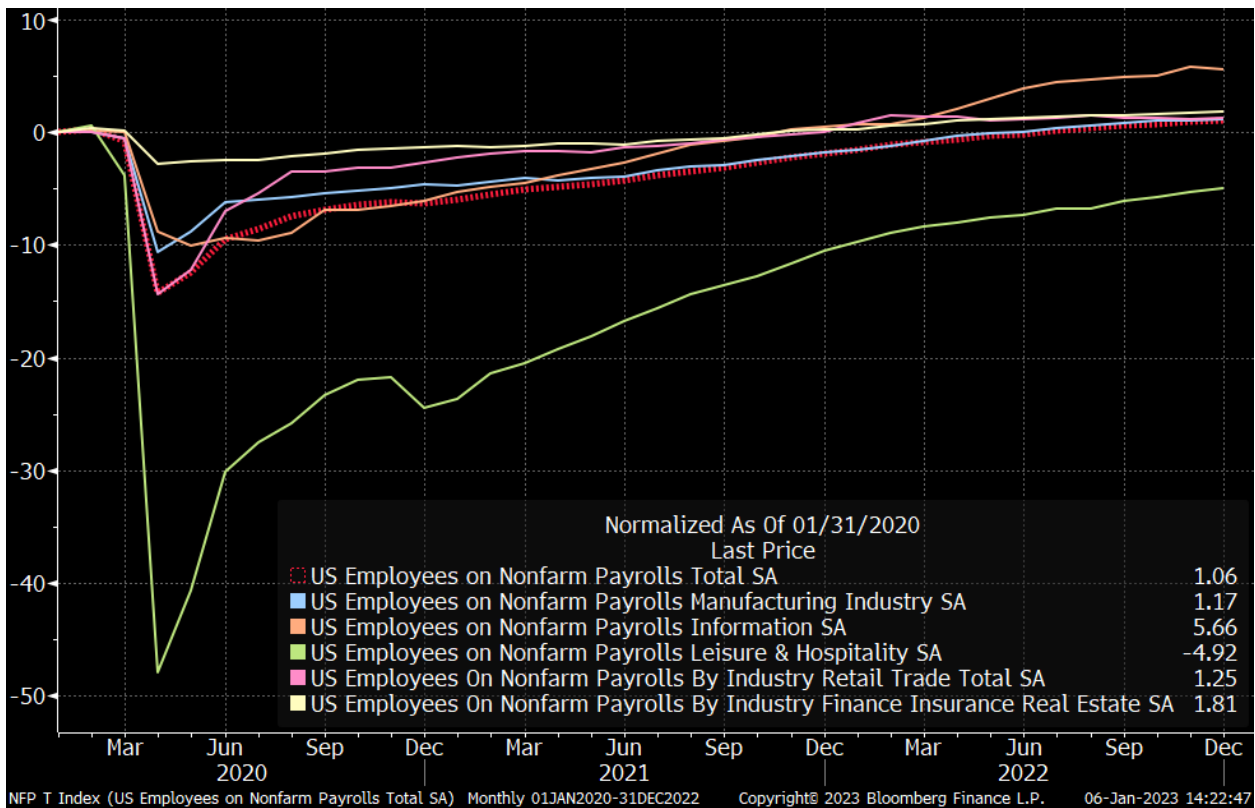
This week's worst-performing stock in the S&P 500 was Enphase Energy Inc. (Ticker: ENPH -11.82 percent.) Continuing its downtrend, Enphase Energy was off by double digits. Enphase is now down over 26 percent in a month. Despite its recent performance miscues, ENPH is up 61 percent over the last twelve months in part thanks to the solar and battery storage subsidies found in the Inflation Reduction Act (IRA) of 2022.



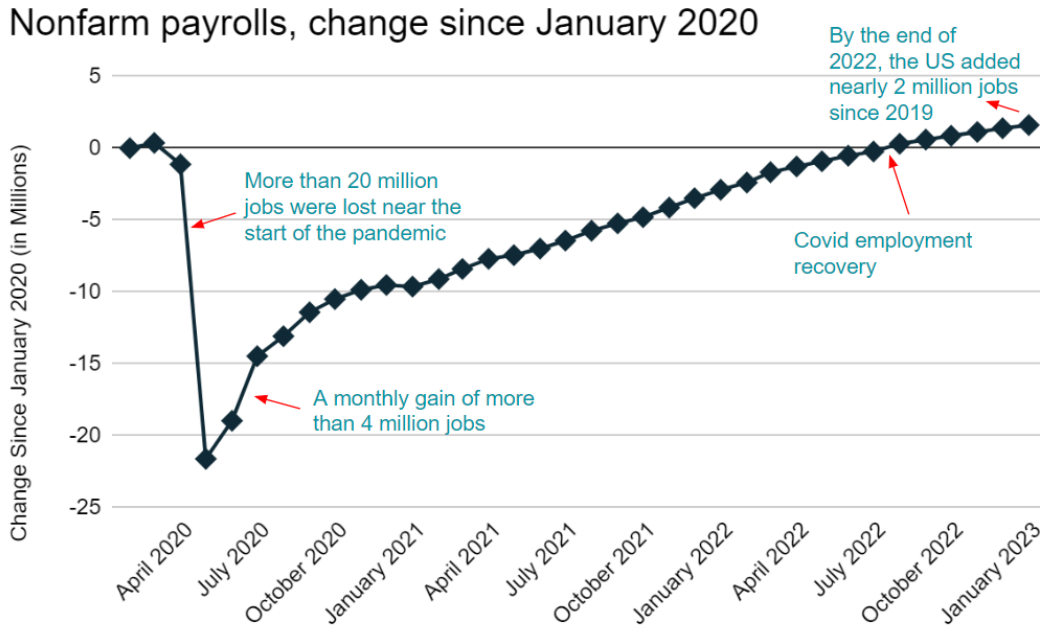
January 6, 2023

From the Econ Desk

- Unemployment ticked down to 3.5 percent in December matching the half century low seen earlier in 2022 and prepandemic.
- Hiring and wage growth cooled in December but were still up. Employers added 223,000 jobs in December, the smallest gain in two years. Average hourly earnings increased 4.6 percent year-over-year, down from the peak in March of 5.6 percent and the narrowest increase since mid-2021.
- For all of 2022, employers added 4.5 million jobs, the second best year of job creation following the rapid COVID-19 bounce back in 2021. However, job gains were mostly concentrated in the first half of the year. Since January 2020, nonfarm payrolls are up by almost two million jobs.
- Labor force participation rose slightly to 62.3 percent in December, but remains well below prepandemic levels, which likely contributes to the consistently low unemployment numbers.



Source: Bloomberg

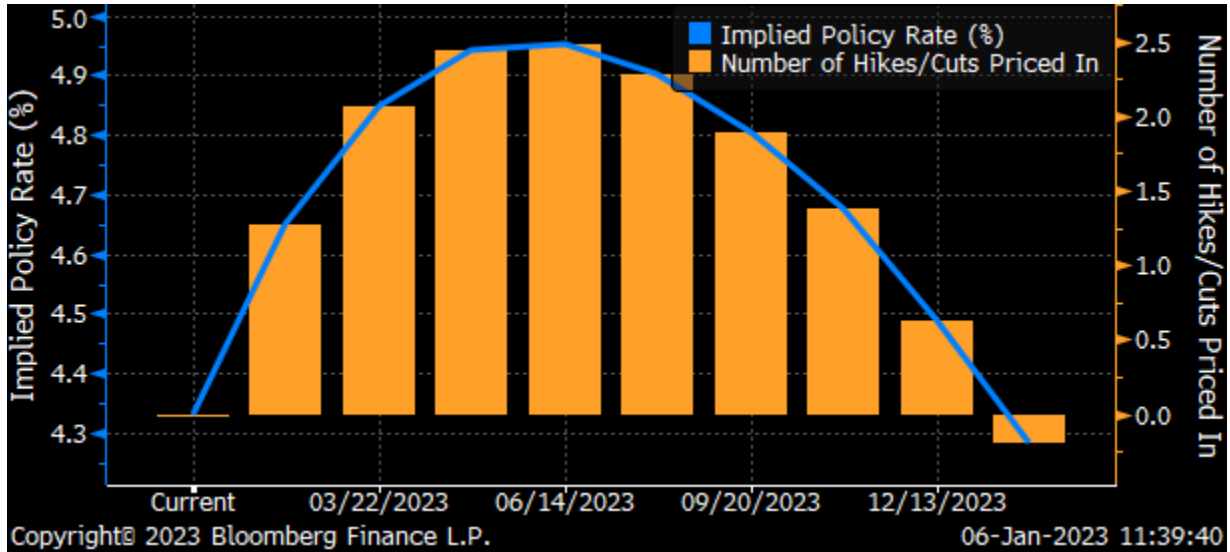


Source: yCharts, RPG, BLS

- On Wednesday, the US Federal Reserve released its December meeting minutes. The minutes showed that Federal Open Market Committee (FOMC) members are worried that a “fed pivot” narrative and easing financial conditions could negate the committee's efforts to tame inflation: “An unwarranted easing in financial conditions, especially if driven by a misperception by the public of” how the Fed will react to economic developments “would complicate the committee’s effort to restore price stability[,]” - [Wall Street Journal](#)
- As of Friday, the Federal Funds Futures market was predicting a 0.318 percent rate increase for the February 1st FOMC meeting. This prediction indicates the market foresees a Fed rate increase of twenty-five basis points rather than fifty basis points. Earlier in 2022, the Federal Funds Futures market predicted that the Fed would continue to raise interest rates through the May 2023 meeting before subsequently cutting rates at following meetings. The market is now predicting that the Fed will not reach its terminal rate until June 2023.



January 6, 2023



From the RPG AI Desk

When the RPG team first tried OpenAI’s chatbot ChatGPT on its release day (November 30th 2022), we couldn’t help but wonder if Google Search’s days of search domination are numbered. On Wednesday, Microsoft Corp. announced that it plans to add OpenAI’s ChatGPT to its Bing search engine to lure users from its rival, Google. Microsoft plans to implement the change in spring 2023. [news](#)

Microsoft’s involvement with OpenAI goes back to 2019, when it invested \$1 billion and requested OpenAI convert from a nonprofit to a “capped-profit” model. The changes were made to allow more sustainability for OpenAI and modest profits for investors. For Microsoft, the investment allowed Bing integration with ChatGPT.

ChatGPT’s ability to spit out anything from a dinner recipe to a comprehensible explanation of string theory has made it a credible alternative to Google Search. While the RPG Team is excited to try out the new Bing, we remain cautious. The current potential problem with AI is not its capabilities, but how humans will interpret it. An AI interpretation of the world and of current events may differ significantly from a human’s interpretation. While searching for something as simple as a dinner recipe will be a breeze, using an AI to conduct thorough research into important topics may be limiting or even problematic. We think Sam Altman, the CEO of OpenAI, put it best: [“It’s a mistake to be relying on \[AI\] for anything important.”](#)



Sam Altman
@sama

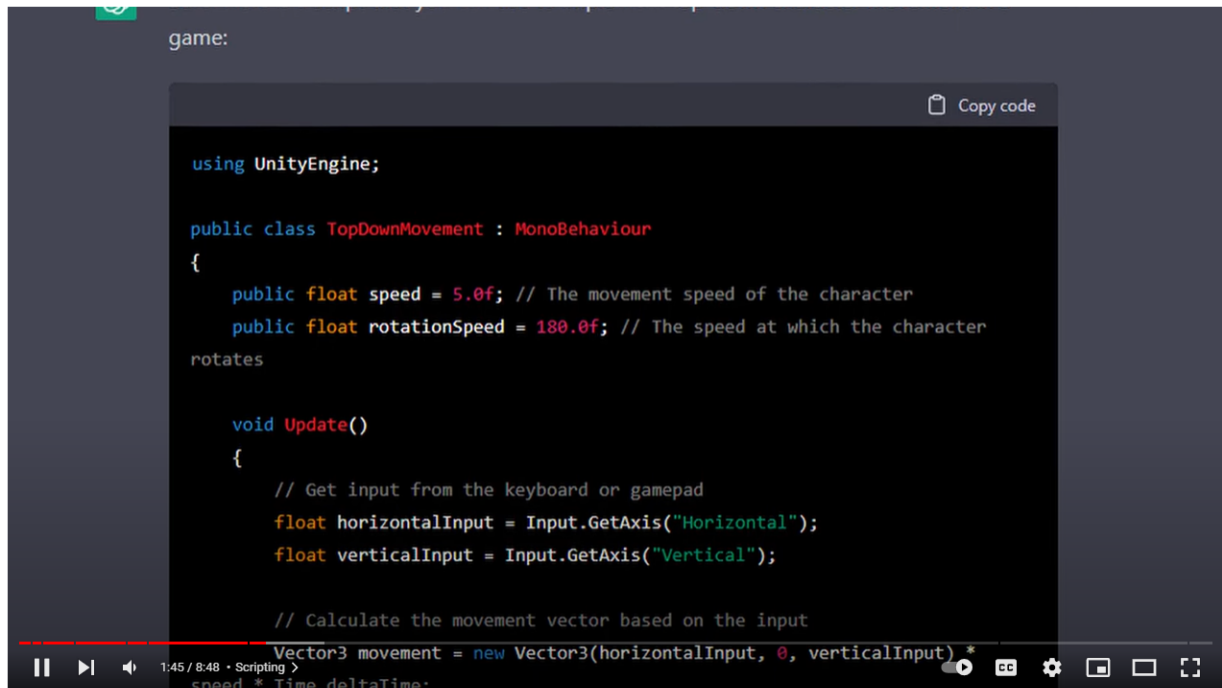


ChatGPT is incredibly limited, but good enough at some things to create a misleading impression of greatness.

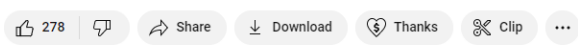
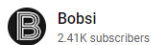
it's a mistake to be relying on it for anything important right now. it's a preview of progress; we have lots of work to do on robustness and truthfulness.

4:11 PM · Dec 10, 2022

[This AMAZING AI Made A Game in Unity in 30 minutes!](#)



This AMAZING AI Made A Game in Unity in 30 minutes!? - Chat GPT



As everyone in software is aware, ChatGPT can now help make video games! For now, we expect millions of mediocre games. In a few years though, we expect millions of exceptional games!

Please update your records



January 6, 2023

RPG has a new HQ in 2023:

39 Mesa Street, Suite 210

San Francisco, CA 94129

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