JS

JOHNSON • STIVENDER

WEALTH ADVISORS

INVESTMENT STRATEGY, COURTESY OF LARRY ADAMS, CIO RAYMOND JAMES

Key Takeaways

- Don't lose sight of the power of compounding
- Timing the market is rarely a successful feat
- Overt bearish sentiment is a contrarian indicator

In the words of the American journalist and author Earl Wilson, "a vacation is what you take when you can no longer take what you've been taking." And after the equity market's worst start to a year since 1970 and the fixed income market's worst start on record, I think we could all use a vacation! Investors are rightfully feeling exhausted. The prolonged Ukraine/Russia conflict, the stress of predicting the Fed's next move, the fears of a recession, and the anticipation of a less optimistic earnings season has weighed on market sentiment. But a timely vacation may be exactly what is needed as we enter the second half of the year. In fact, the chance to step away from the day-to-day market activity may allow investors the opportunity to reflect on some of the steadfast and timeless principles of investing and asset allocation to hopefully return with a more optimistic perspective.

- **Compounding Will Help You Pass The Time Away** | Compounding is one of the most underappreciated dynamics of investing. Even investors with decades-long time horizons can get distracted by near-term performance and lose sight of the power of compounding. For example, assume an investment of $100 per month in the S&P 500 beginning in 2002. Over this twenty-year time period, the investor would have deposited a total of $24,000 and would have experienced three significant S&P 500 bear markets: the Great Recession (-57%), the COVID-19 pandemic (-34%), and the 24% decline this year. Even still, the initial investment would have more than doubled! In fact, the portfolio would have a market value today in excess of ~$62,000. This is a reminder that a consistent strategy of periodic inflows and a long-term investment horizon can help weather severe downturns.
- **The Hustle & Bustle Of Timing The Market** | Attempting to time the equity market can be detrimental to a portfolio. The task of exiting the equity market prior to perceived troubled times with the goal of returning at a more opportune moment is one at which few are successful. Even if the choice to sell is easy, it is often the decision as to when to reinvest that proves to be the most challenging. A more effective strategy is understanding the risk associated with the equity market, remaining disciplined, and staying patient during times of volatility. Case in point: the annualized price return for the S&P 500 over the last 20 years is ~7.3%. Investors who missed the top ten best trading days (of the total 5,033 trading days) would have cut their average annualized return in half to 3.2%. Even worse, investors who missed the top 20 best trading days would have seen their performance reduced to a mere 0.6% annually. And for those assuming that some of these best and worst days have occurred this year – they haven't! Despite the above-average number of 2%+ swings the market has experienced so far this year, the S&P 500 would have to move ~4.8% in either direction in a single day in order to make the ranks of the best and worst days over the last 20 years.
- **Avoid The Sentiment Crowds** | When it comes to investor psychology, it is important to understand that extreme levels of optimism or pessimism tend to represent a contrarian view of what type of performance to expect moving forward. When you have very depressed, pessimistic equity sentiment (as we have now), where the vast majority of investors are expecting stocks to decline, robust equity performance tends to follow. For example, one year later, the S&P 500 has

Continued on page 3

Summer Edition 2022

In This Issue:

Branch Locations:

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Bright days, and bright ideas to keep your finances on track

It's summertime! Thoughts of warm sun on your face may be top of mind – but a financial check-in might not be.

While a financial check-in may sound less relaxing than a day at the beach, assessing your current situation proactively and recalibrating as needed with the help of your advisor will keep you on top of your game.

Here are a few simple questions to identify small tweaks to your financial plan that could pay dividends.

Can you increase your retirement savings? Most annual raises occur between January and April. If you received an increase, consider allocating some to your HSA, 401(k) or IRA. Your future self will thank you. Cha-ching!

Has your home's value increased? Housing prices are predicted to rise another 10% on average this year, so revisit your homeowner's insurance to determine if you have enough coverage. Some premiums have risen to account for inflation, so consider shopping your policy for the best price too.

Have you adopted a new pet this year? If you've added furry friends to your household, think about adding them to your estate plans. While we consider them family, some states consider them property. Adding a pet clause to your will makes certain your wishes will be honored.

How are you trending with taxes? It's best to check in midyear to see how your income is trending so you can estimate what marginal tax bracket you'll land in. It will help you determine if you should put off income that could push you into a higher tax bracket until the following year.

Do you have the travel bug? You're just deplaning from your summer vacation, but there's no better time to consider holiday travel than now. Set price alerts for date ranges and destinations you're considering for holiday travel, so you can book confidently when the time comes. Vacation mode on!

Are your children headed to college? If your children are off to college soon, help them create a budget and discuss financial expectations, particularly around use of credit. It builds a foundation for financial literacy and opens up lines of communication for future conversations (see related article on p12).

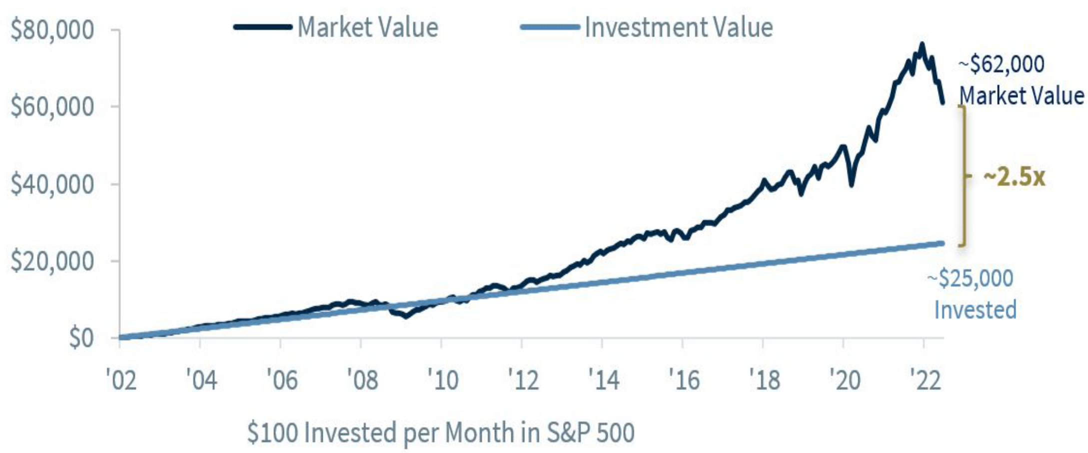
Have you updated your passwords? If you've ignored that nagging pop-up far too long, it's time to change passwords for your financial accounts. Be sure to update your estate planning documents with that new information.

Sources: cnbc.com; reuters.com; ez-probate.com

Continued from page 1

historically been positive 90% of the time and up, on average, 15%. Conversely, when a vast majority of investors believe the equity market is likely to increase, the forward 12-month performance has been positive only 55% of the time with essentially flat performance. This dynamic is why the famed investor Warren Buffet often says, “Be fearful when others are greedy and greedy when others are fearful.”

- **Diversification To Reach Your Destination** | The balance of risk and reward is a decision every investor has to make. But for long-term investors, diversification has proven to be more successful than chasing the best performing asset class each year. We acknowledge that diversification benefits have been limited this year given the decline in both the S&P 500 and the Bloomberg US Aggregate Bond Index, but this year is an outlier. In the last forty years, the indices have been negative simultaneously in the first half of the year only two other times: 1984 and 1994. While the specific allocation and metrics dictating when to rebalance would be best discussed with your financial advisor, the existence of a financial plan and asset allocation strategy should serve as a guide and keep emotions from dictating portfolio decisions during volatile times.



Please see full article here: https://www.raymondjames.com/commentary-and-insights/markets-investing/2022/07/08/weekly-investment-strategy

Recipe Corner

INGREDIENTS:

- 1 Pound Ground Beef (93% lean)
- 2 tsp steak seasoning blend
- 1 Tbsp olive oil
- 5 oz sliced baby portobello mushrooms
- 4 Swiss cheese slices
- 4 hamburger buns, split
- 4 lettuce leaves
- 4 tomatoes slices

Jalapeno Aioli

- 1 Tbsp olive oil
- 2 jalapeno peppers
- 1/2 cup light mayonnaise
- 1/4 tsp kosher salt
- 1 tsp fresh lime juice

Zucchini Fries

- 3 medium zucchini
- 1 Tbsp olive oil
- 1/2 tsp steak seasoning blend

We want to see your smiling faces

Be on the lookout for invites to our Annual Golf Tournament and a Client Appreciation Cookout here in the Sebring office, coming this fall.

COOKING:

Combine Ground Beef and 2 tsp. steak seasoning in large bowl, mixing lightly but thoroughly. Lightly shape into four 1/2-inch thick patties. Set aside

Heat sauté pan over medium until hot. Add olive oil and mushrooms, Cook over medium heat for 4 to 5 minutes stirring occasionally. Remove from heat and set aside.

Place patties on grid over medium, ash-covered coals. Grill, covered, 8 to 10 minutes (over medium heat on preheated gas grill, 7 to 9 minutes) until instant-read thermometer inserted horizontally into center registers 160°F, turning occasionally. About 2 minutes before burgers are done, place buns, cut sides down, on grid. Grill until lightly toasted. During last minute of grilling, top each burger with cheese slice.

JALAPENO AIOLI

Place jalapeno on grid over medium, ash-covered coals. Grill for 5 to 6 minutes (over medium heat on preheated gas grill). Remove from grill and let cool. Once cool remove the stem and seeds, dice into 1/4 inch cubes.
In a medium size bowl combine mayo, grilled jalapeno, lime juice, and salt. Set aside

ZUCCHINI FRIES

Cut zucchini in half and again lengthwise, then cut in 4 inch strips and place into a medium sized bowl. Coat zucchini with 1 Tbsp. olive oil, 2 tsp steak seasoning and toss. Place zucchini on the grill and cook for 4 to 6 minutes turning occasionally. Once soft remove from grill and set aside.

BURGER BUILD

Line top bun with 1 - 2 Tbsp. of Aioli mixture, Lettuce, and tomato. Top each burger with mushrooms and place them on bottom buns. Close the sandwiches and serve with zucchini fries.

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How About More Freedom?

As we celebrate 246 years of national independence, our country is now more than two years into an economic recovery from the two-month COVID Lockdown Depression. Although the economy has improved dramatically from the complete lockdown bottom in April 2020, it's still feeling lingering pain from policy mistakes made to address the pandemic.

First the good news. The unemployment rate is down to 3.6%, very close to where it was before COVID started. Manufacturing production is 3.8% above where it was pre-COVID. The problem is that a smaller share of workers are participating in the labor force and the number of jobs still hasn't fully recovered. Meanwhile, inflation is running at the fastest pace in forty years.

In our view, we are still suffering from three major policy mistakes. First, running an overly loose monetary policy. Second, handing out too many government checks, which allowed American consumers to borrow from future production and spend more in the past two years than they would have if no pandemic had ever occurred. And third, shutting down many parts of the economy through government mandates at multiple levels.

That last part, the shutdowns, is key because here we are about eighteen months after vaccines were introduced and supply chains are still a mess. We think much of this represents lingering pain from shutdowns that broke relationships among firms and within firms. This makes it much tougher for companies to keep up with demand that was temporary and artificially boosted by government stimulus checks.

Markets are extremely robust under normal circumstances. War, hurricanes, drought, power failures are all disruptive, but markets absorb them and move on. But, by taking the unprecedented path of shutting down large parts of the economy, government made the recovery process extremely hard. Markets only work when information (the pricing system) is allowed to function. It hasn't functioned properly for over two years now.

The Atlanta Federal Reserve's GDP Now model is now projecting that real GDP declined at a 2.1% annual rate in the second quarter. We think that's way too pessimistic and not consistent with continued increases in industrial production and job growth, both of which are signaling continued economic growth.

Nevertheless, the Atlanta Fed's model is picking up the cost of the shutdowns and we think the lesson for future policymakers should be obvious: let's not shutdown the US economy again. People are much smarter than policymakers think; workers, customers, and private business, all by themselves, without mandates and extra rules, could figure out when to step back from certain high-risk activities and when they don't have to.

Fortunately, some business leaders are starting to push back against political leaders who think they know how to run the US economy all by themselves. For example, a recent comment from a consortium of oil companies urged that the author of a White House statement on energy take a basic course in economics. Another example: Jeff Bezos openly disagreeing with the White House on inflation.

In a sense, the answers to our problems were all around us this past weekend, in all the celebrations of America and in all our connections with family and friends. The answer is us. What we need is more of all of us thinking things through on our own, figuring things out, with fewer Washington rules, mandates, and regulations getting in between. Freedom works.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
7-5 / 9:00 am	Factory Orders – May	+0.5%	**+0.6%**		+0.3%
7-6 / 9:00 am	ISM Non Mfg Index – Jun	54.0	**54.5**		55.9
7-7 / 7:30 am	Initial Claims - Jun 26	230K	**231K**		231K
7:30 am	Int'l Trade Balance – May	-$84.7 Bil	**-$85.4 Bil**		-$87.1 Bil
7-8 / 7:30 am	Non-Farm Payrolls – Jun	273K	**275K**		390K
7:30 am	Private Payrolls – Jun	240K	**250K**		333K
7:30 am	Manufacturing Payrolls – Jun	25K	**25K**		18K
7:30 am	Unemployment Rate – Jun	3.6%	**3.5%**		3.6%
7:30 am	Average Hourly Earnings – Jun	+0.3%	**+0.4%**		+0.3%
7:30 am	Average Weekly Hours – Jun	34.6	**34.6**		34.6
2:00 pm	Consumer Credit– May	$30.0 Bil	**$31.8 Bil**		$38.1 Bil