Monday, June 27, 2022

Good afternoon:

As has been the pattern all year, stocks staged a sharp reversal to the upside last week, recovering all of the prior week's losses on the major indices. By Friday's close, the Dow gained 5.39%, the S&P 500 rose 6.46%, while the even more oversold NASDAQ added 7.51%. The week was another example of the level of extreme volatility that investors have had to endure in 2022 and further evidence of the difficulty in trying to time such an erratic market.

The rebound appears to have been primarily based on the extreme nature of recent declines and perhaps some seller exhaustion. Short-term investors who wanted or needed to sell likely already have, while longer-term investors are mostly holding firm, if not using the pullback as a buying opportunity, realizing we may be much closer to an ultimate market bottom. However, without any actual catalyst behind last week's surge, we may be witnessing yet another counter-trend rally. Rebounds within an otherwise bear market decline are often among the most powerful.

Just because we have not *yet* had a piece of concrete positive news that may signal the end of this bear market does not mean one will never come. Markets and economies go through cycles of boom and bust, rising and falling interest rates, as well as increasing and moderating inflation. Remember though, the stock market is rarely in synch with the timing of these cycles, preferring instead to be many months ahead in an effort to anticipate the business and earnings climate to come.

The market can, and often does, overshoot with its attempts to predict the future. This may be what we have witnessed in the past 12 months. Overly optimistic forecasts of endless growth and prosperity fueled by massive liquidity and low interest rates have been replaced by fear mongering calls for higher inflation and an impending severe recession. After declines in the major averages of 20-35%, and many individual stocks down 50-75% or more, it appears that perhaps much of such a dire outlook may be priced into current equity market levels. Without any obvious positive catalyst, market bottoms are often only recognized in the rearview mirror, long after they occur. We prefer to stick to core investment fundamentals and our clients' longer-term investment objectives as we navigate these very choppy waters.

Although we are prepared for heightened market volatility to continue for the foreseeable future, equity averages have opened fairly flat today, this last week of the quarter. In an effort to keep our clients informed and in touch with other perspectives from the industry, we will be hosting another exclusive Loftus & Preusser Wealth Partners zoom/dial-in client call/webinar on July 13th at 1:00 CT. Mark your calendars and watch for a separate email invitation to follow with all the specifics.

Have a great week!

Mark and Jeff

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The Dow Jones Industrial Average (DJIA), commonly known as “The Dow” is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

Investing in small cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor.

The companies engaged in the communications and technology industries are subject to fierce competition and their products and services may be subject to rapid obsolescence.

International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility.

Investing in emerging markets can be riskier than investing in well-established foreign markets. Investing involves risk and investors may incur a profit or a loss.

Diversification does not ensure a profit or guarantee against a loss. Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

Holding stocks for the long-term does not insure a profitable outcome. Investing in stocks always involves risk, including the possibility of losing one's entire investment.

Market return and statistical data obtained from: https://am.jpmorgan.com/blob-gim/1383452890099/83456/weekly_market_recap.pdf?segment=AMERICAS_US_ADV&locale=en_US
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