Monday, May 23, 2022

Good afternoon:

Stocks remained under pressure last week as fears persisted that aggressive Fed action would trigger a recession in the coming months. Despite 10-year U.S. Treasury yields moderating from their recent high of 3.17% down to below 2.79% last week, inflationary concerns on the economy resulted in another losing week, deepening the correction in all domestic equity averages. Friday's wild trading was particularly volatile with stocks staging a late afternoon rally to recover all of its larger losses from earlier in the day. In spite of that, the week's declines were S&P -3.00%, Dow Jones -2.78%, and NASDAQ -3.77%. However, foreign markets posted gains of 1.53% on the MSCI EAFE (Europe, Asia, Far East Index), 3.13% on the MSCI EM (Emerging Markets Index).

Sentiment remains quite negative, despite the realization that stocks have become very oversold and are now trading at much more reasonable valuation levels. After eight straight weeks of losses for the Dow, and seven for the S&P 500 and NASDAQ, nearly every sector of the markets is either in deep correction or bear market territory. Even previously resilient consumer staples stocks were hit hard last week, signaling to some a necessary event in a market capitulation and bottoming process. The current climate of great economic uncertainty and high anxiety will likely remain in place for the foreseeable future and continue to spawn increased volatility in *both* directions.

This morning's strong market rebound of 1½ to 2½% in the major averages is an example of the continued volatility, but *may* also indicate that the market established a "tradable bottom" for the near term. Of course, longer-term investors like the vast majority of our clients should *not* be focused on short-term trading indicators, but rather the long-term performance of the specific asset classes and vehicles they are using to achieve their longer-term financial objectives. Equities have delivered the highest historical returns *even through* all of their previous pullbacks and periods of heightened volatility. Astute investors and professional money managers use occasional declines to harvest tax losses, rebalance their portfolios, and reposition capital to acquire new positions at more favorable prices.

In the strategies we manage, we have made a number of such changes in an effort to accomplish these objectives and be well-positioned for the market recovery to come. We understand that volatility is never comfortable, and this latest round is no exception. Panicked headlines may have investors feeling apprehensive, wondering if they should get out of the market. Such was also the case when the pandemic hit and the market dropped sharply in March of 2020. Since the market tries to price in, well in advance, as much potential bad news as it can, it often overshoots.

This has been the worst start to a year for the S&P 500 in the last 25 years. However, in our 35 years of experience, we've seen corrections like this happen time and again. Market pullbacks are necessary to sustain a healthy market which, over time, has experienced significant positive growth. We are here to provide you not only with insight, but with advice on how we can help navigate through the markets' movements. We are watching the markets closely and will reach out should anything require immediate action. In the meantime, please feel free to get in touch if you'd like additional perspective or guidance.

As always, we thank you for the trust you place in us to help you achieve your financial goals.

Have a great week!

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All investments are subject to risk regardless of strategy selected. Individual investor's results will vary. Past performance does not guarantee future results. Forward looking data is subject to change at any time and there is no assurance that projections will be realized. Diversification and strategic asset allocation do not ensure a profit or protect against a loss.

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.

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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