

05/12/22

Good Morning,

Financial markets continue the struggle to find their footing on the bumpy road of high inflation. Stock and bond declines are significant from recent highs with the technology-heavy NASDAQ Composite Index in bear market territory (down more than 20%) and the S&P 500 Index down more than 15%. Working through this downturn will require patience and a strong stomach. With history as our guide, we know that market consolidations like these create more reasonable stock valuations and a platform from which sustainable growth can occur. We only need to look back two years to see the last bear market and subsequent recovery.

The sharp market declines this year have led some to start comparisons to the “great recession” declines of 2008-2009. We must remember that the market collapse of 2008 was caused by the financial crisis and collapse of financial institutions, including many banks. But, through the first 4 months of 2022, no US bank had failed and required a financial bailout from the Federal Deposit Insurance Corporation (FDIC). There have been less than 10 banks that have failed in each of the last 7 calendar years, (2015-2021). 389 banks failed over the 3-year period 2009-2011 (source: FDIC). We are not in a financial crisis, but it appears markets are pricing in an economic recession – which may or may not occur.

Remember that our economy remains robust, and the labor market is healthy. And while the Fed has just begun its efforts to combat inflation, interest rates have already climbed sharply and there is evidence that monetary tightening is now working through the system to cool rising prices. And the Cincinnati Reds have won 4 of their last 6 games. Even the Fed can't stop them! (They are still in last place...by a lot.) Enjoy your week!

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

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