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Good Afternoon,

Stocks continue to be troubled by inflation and the potential impacts to consumers, and thereby corporate profitability. Fed Chair Powell has stated that the Fed may not be able to engineer a “soft landing”, meaning reigning in inflation without sending the economy into recession. Big retailers – Walmart and Target – spooked investors this week with lower-than-expected profits in Q1 while blaming inflation on cutting into profitability. With the sharp drop yesterday, the S&P 500 Index is now very close to bear market territory, defined as a decline of 20% from the recent high.

Market declines of this magnitude are unsettling and frustrating. It is very easy for investors to become emotional due to fear. It is important that we don't make investment decisions based on emotions – especially fear – as we are more likely to make mistakes. A common emotional mistake is look at how much a portfolio value has declined and then decide to get out. That would necessitate a second decision of when to get back in, and most will wait for markets to go up before buying in at higher levels. This leads to the problem of selling low and buying high. As the renowned investor, Shelby Davis, is quoted as saying, “You make most of your money in a bear market, you just don't realize it at the time.” Holding through the downturn is the next best thing to buying at the bottom.

The good news is that the bond market has held up much better during the most recent wave of the stock market downturn. Interest rates (on the Ten-Year Treasury Bond) have dropped slightly as investors move money from stocks to bonds allowing fixed income investments (bonds) do their job of supporting account values.

Lastly, here's your weekly Cincinnati Reds update. On Sunday, the Reds pitchers threw a no-hitter against the Pittsburgh Pirates. And they still lost the game. I can't even make this stuff up! Have a great week.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

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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