

May 26, 2022

Good Afternoon,

Could this be the week the stock market breaks its losing streak? The S&P 500 fell 3% last week, its 7th straight weekly decline and the longest losing streak since 2001. While stocks continue to deal with inflation and the Fed's policy concerns, last Friday's late day rally was a welcome turnaround which has continued this week. We know the stock pendulum always swings too far in both directions, and perhaps stocks hit their low point last week. Bonds have stabilized as rates on the 10-Year Treasury have dropped back down to 2.75%. This can all change quickly, but for now, the big decline of 2022 is taking a breather.

While the Fed is committed to targeting inflation without concern for the stock market, stocks may have done part of the job for the Fed. With stock values declining so rapidly, many investors are feeling a bit more skittish about their financial condition and are likely to pull in the reins a bit on their spending habits. This behavior will have the impact of tightening the economy and cutting demand – and thereby inflationary pressures. It's the reverse of the "wealth effect" where people spend more when their investments go up.

I had a soft tire on my car last week and pulled into a gas station to put in some air. Remember when it was 25 cents to fill your tires? Now it's \$2.50! I asked the guy at the counter why air is so expensive. He said, "inflation."

Please visit our website at www.canfg.com or the link below for the last Market Update from Commonwealth Financial Network® – the broker/dealer that supports us in helping you manage your financial life.

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.

Have wonderful Memorial Day Weekend!

Wade

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