

05/05/22

Good Morning,

April ended with a thud as stocks had their worst day of the year on Friday. Through the first four months of 2022 the S&P 500 Index is down 13%. Along with a drop in bond prices due to rising interest rates, 2022 is off to a very bad start and we suggest you leave your April investment statements unopened on the kitchen counter. Or at least open them with caution! While the pandemic lingers and Russian aggression keeps the world on edge, the real culprit to financial markets is inflation. The Federal Reserve has admitted that inflation isn't "transitory" as they first projected, and they have committed to using their powers to combat it – as evidenced by yesterday's ½% increase in the Fed Funds rate. The news was greeted with relief and a massive rally Wednesday, which is being given back as I write to you this morning.

While inflation has spiked by all measurements, perhaps a portion of it is overstated. For example, US inflation, measured by the "Consumer Price Index," was up +7.0% during 2021. Three percentage points (out of the 7 percentage points) is a function of direct fiscal support from the US government and how American households spent the pandemic-related money (source: Federal Reserve Bank of SF). Two years ago, the economy was essentially shut down and production of goods was scaled back significantly. However, consumers continued to spend and had the added incentive of trillions of dollars in government stimulus. Production continues to lag demand creating supply chain disruptions and skyrocketing prices. However, with no further emergency government relief programs in site, consumer demand should normalize, and production will slowly catch up.

As troublesome as the investment world is, we can still count our blessings as hints of summer emerge and flowers bloom. And if you're feeling down, just remember that you do not play for the Reds who have lost 19 of their last 20 games. The city of Cincinnati is already looking forward to winter.

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 a great week,

Wade

Wade A. Sarkis, CFP®, AIF®
Managing Partner
Canandaigua Financial Group
45 Ontario Street
Canandaigua, NY 14424
(585) 396-2720

Securities and Advisory Services offered through Commonwealth Financial Network, Member FINRA, SIPC, a Registered Investment Adviser
Note: Trade orders cannot be accepted via email or voicemail.