

June 8, 2022

Good Afternoon,

Stocks managed to end the month of May with breakeven performance thanks to a strong rally in the final week. Did markets put in their low for the year in mid-May? No one knows for sure, and it will take more than a few weeks to see if the selling trend has stabilized. There is evidence that investors are willing to add to their stock positions at these lower prices. Bargain hunters are active again. Bonds were also more well behaved in May after the toughest start to a year in many decades.

From an economic perspective, the biggest concern remains high inflation and the unknown level to which the Fed will have to hike interest rates to force inflation to moderate back to acceptable levels. The sharp rise in Treasury bond interest rates over the past year indicates that the bond market has priced in some 10 or 12 Fed rate hikes. Will we see that many rate hikes by the Fed or have rates gone up too much too quickly? Again, nobody knows but it is likely that the US economy will experience a recession at some point and then the Fed would be looking to cut rates rather than continuing to hike them. In any event, we feel interest rates – as reflected by the 10-Year US Treasury – will remain near the 3% level for a while. That should reduce some volatility in both stock and bond markets as we close out Q2.

As I write this, I am currently attending a conference with Commonwealth. Catching up with friends and peers from across the country is always fun. Business meetings and listening to vendor presentations? Not so much. I've heard more bad jokes in one day that I've sent to you in a year. But I am adding to my inventory! Enjoy your 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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