

September 1, 2022

Good Morning,

Stocks had a tough week last week and most of the decline occurred Friday after Fed Chair Powell addressed an economic symposium in Jackson Hole, Wyoming. The drop has continued this week as investors attempt to determine the path of interest rates in light of Powell's comments. What changed from the last time Powell spoke to the public? It is now clear the Fed is fully focused on fighting inflation rather than supporting growth. Missing from his remarks were any reference to a "soft landing" and added to the remarks was the likelihood of "pain" for some households and businesses as the economy slows. Powell's brief speech could lead investors to believe that interest rates will be higher for longer than originally anticipated and that has touched a nerve.

Here's the problem; the Fed was wrong 12 months ago when Powell reiterated that inflation was transitory during the same symposium in 2021. It was a temporary spike, and no Fed action was needed, he said. So, why should we believe the Fed has it right this time? I'll refer to one of my favorite economic quotes by the legendary John Kenneth Galbraith. He said, "The function of economic forecasting is to make astrology look respectable." Even the smartest economists in the world can't get their predictions right.

The rally from mid-June to mid-August recovered half the market drop of the first six months of 2022. The decline of the past two weeks has given half that recovery back. We expect the volatility to continue and encourage everyone to remain invested and stay patient. Not getting out while stock prices are low is the next best thing to buying at the bottom. At least that's what my horoscope says.

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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.

Enjoy these last weeks of summer!

Wade

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