

A Note From Your Advisors

The logo for BAIRD, consisting of the word "BAIRD" in white, uppercase, sans-serif font, set against a blue parallelogram background.

THE MAIN, GOWIN, FISCHER, RICE GROUP

September 20, 2022

A client with whom I'm very close (ok it was my wife) asked me recently, "We always hear so much about what is making markets go down. What could make them go back up again?" Great question!

First, some disclaimers: just because one or more of these things I'm about to list happens doesn't necessarily mean markets will go higher right away. And nobody should ever make the mistake of believing we can effectively time markets and predict precisely when they'll go up or down. But here is a short list of things that would potentially be a catalyst to better performance. Fingers crossed!

Better Data on Inflation: Remember how we felt some relief when gasoline prices dropped from \$5+ per gallon to \$3 and change? What if we could also see evidence that the prices consumers and businesses are paying for food, home goods, housing, and other things are falling? Markets will be watching closely for improvement in the types of numbers that combine several of these factors, such as the Consumer Price Index (CPI).

Improvement or Resolution in Ukraine: The past couple weeks have seen Ukraine's troops make remarkable progress in a counter-offensive, seizing over 3000 square miles back from Russian forces. The bravery and creativity of those Ukrainian soldiers and citizens must never be underestimated. However, Western governments including the US have stepped up weapons, training, and financial support as well. Putin's support even in Russia may be reaching a tipping point. If this progress continues, economic pressure on Europe as a whole may be reduced, and markets could be cheered.

Midterm Elections: Our friends at Strategas note that, "The average intra-year decline for the S&P 500 index in a midterm election year is 19%..." Year-to-date the S&P is down about 18% (24% at its worst level so far). However, the good news is that "midterm election year volatility has usually turned into an opportunity for investors, with the S&P 500 positive in the 12 months following a midterm election every time since 1942." October has historically been the month when this turnaround began.

Again, please know that in general we remain cautious right now. But if you'd like to discuss any of these points further, please call your advisor at 765-349-0247.

- *John*

The Main, Gowin, Fischer, Rice Group