

June 2022

Dear client,

As we reach the midpoint of 2022, it seems as though we've already been through a full year! I can feel my blood pressure increasing as I start writing this letter!

The **S&P 500 Index** briefly touched Bear Market territory, intraday, on May 20th- yet it wasn't until June 13th that the market actually closed in Bear Market territory (Bear Market is a drop of 20% or more from the peak). There have only been 14 Bear Markets in the last 76 years. With all that said, today we stand about 22% off of all-time highs on the **S&P 500 Index**. The **Dow Jones Industrial Average** logged eight straight weeks of negative returns, which was the longest streak since 1932. The Bond market's first quarter of 2022 was the worst quarter for bonds in the last 40 years. "**Consumer Sentiment**", an indicator of how optimistic the American shopper feels about their finances, fell in June 2022 to its lowest level ever. "**Consumer Sentiment**" has been tracked monthly since January 1978 (Source: University of Michigan).

There certainly has been a lot to take in over the last 6 months: Russia / Ukraine conflict; the latest politics out of Washington; rising Inflation; Federal Reserve tightening; rising Interest rates; and stock valuation concerns.

Relentless media negativity creates a deafening noise that covers up the underlying unstoppable forward trends that we have been witnessing all of our lifetimes. Unfortunately, uncertainty is something markets have to grapple with all the time. So, keep in mind, while often it's a different set of circumstances, and each time it feels as though it's going to be worse than the time before, the market has always recovered the losses and moved on to new highs.

Markets tend to be resilient, but what is making for the current uneasy time now, is that now we are dealing with a Federal Reserve tightening the likes of which we haven't seen in decades. And while we expect economic conditions to be bumpy, as the Federal Reserve continues to try to fight inflation on the demand side; we understand that there are forces affecting inflation, outside of their control – namely surging energy prices.

While, it's important to remember that stock markets rally before the overall economy improves, in the meantime, fixed income investors can maximize their returns by having some short-term bond funds and/or a ladder of treasuries and CDs as this cycle of rising rates plays out. Tax and Tax-Exempt Bond funds will continue to generate more income, which will help to smooth out the price volatility in the bond funds since the start of the year.

(over)

From 1928 to 2021 (93 years) the **S&P 500 Index** has returned an average 11.82% including dividends; the **US 10 Year Treasury Bond** has returned an average 5.11%; and during that same time frame, the US Residential real estate-market, **Case-Shiller Index**, has returned 4.36%; all while inflation has averaged near 3.25%. Successful investors have reaped those stock market returns over time by not trying to time markets. Time in the market, not timing the market, is the best way to capitalize on stock market gains. According to a piece from **Putnam Investments**, over the last 15 years, missing just 10 of the best days of stock market performance would have seen your return on stocks cut in half (From 10.66% vs. 5.05% by missing the best 10 days).

In summary, financial history does repeat itself to a large degree. Sir John Templeton once said, "The four most dangerous words in investing are, it's different this time." Periods of boom and bust, growth and recession, will continue. Understanding your comfort level to the volatility is very important in having investing success. Selling investments when they are down significantly hasn't proven to be a good strategy over time. It's important that you understand your investments and if you don't, ask for explanations!

As always, please do not hesitate to call us with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bryan Bastoni', with a long horizontal flourish extending to the right.

Bryan Bastoni, CFP
CERTIFIED FINANCIAL PLANNER, TM

P.S.

FYI: As early as this fall, we may see some clarity regarding details in the recently passed IRA legislature "**Secure Act**" and the new regulations for beneficiaries of inherited IRAs. We will keep you updated on the new pay-out rules and make sure that anyone who meets this criterion stays in compliance with the IRS!