Matt's Minutes: August 2022 "Closed Captions"
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Hi, this is Matt Curfman with Richmond Brothers, for a July 2022 Matt's Minutes update. Thank you so much for tuning in. Well, it certainly has been a busy month and in fact during the last week of July, the Federal Reserve met again and announced a 75-basis point, which is .75% increase in the short-term interest rate. That is the same raise they did 2 months ago and that is aimed at helping to bring down inflation, which we all know we have not seen that come down quite yet.

Typically what happens when the Federal Reserve starts raising that short-term rate, there's usually a follow-on effect or lagging response to that coming in the following couple of months or even quarter. Interestingly enough, last time the Federal Reserve raised rates, the markets got really scared and did a reversal and actually went down quite a bit. This week, the markets rallied on the news and so you're getting kind of this whip-saw, see-saw effect still in the markets where logic and maybe common sense is not the tune of the day.

In addition, in the last week it was announced that the quarterly GDP, which is Gross Domestic Product or economic activity, was also negative for the second quarter in a row. And a lot of technical analysts would define that that means we're in recession. Well, if you remember watching any of my last 2, 3, or 4 Matt's Minutes, we've kind of had hinted at that nasty 'R' word and there's been a lot of debate back and forth. Certain very smart people, very smart analysts, very smart public figures would have told you we were already in recession or the market is at least acting as if we're in a recession. Many have argued that we're not in a recession because unemployment's still low, consumer spending is high.

We may have hit a trough, or kind of a low period for consumer sentiment during this early month of – during the early summer, rather in June. In fact, according to some J.P. Morgan research, if you go back to the 1970's and you kind of think about peaks and troughs, every time there's been a trough in consumer sentiment readings - arguably June was one of those troughs, in the following 12 months after that trough, if you then track the S&P 500 performance, the average coming out of a trough has been 24.9% in the following 12 months. That's not an indication of future possibility or future returns, but just to kind of give some idea of what that has meant during the last 50 years whenever there has been consumer sentiment troughs there's a lot of just mixed signals out there. And I think the bottom line is there's a lot of experts, and no one really knows.

So, when it really all comes down to it, you know, are we from the market perspective kind of coming off the bottom? At least right now if you look year-to-date during the middle of June, the Dow Jones was down about 18% since January 1, NASDAQ about 32%, the S&P about 23%, and even the core bond index down about 12%. So, just a portfolio of stocks and bonds, or equities and bonds, has really struggled this year. And yet, there's a lot of signs that suggest economically things are doing okay. I would just add from a personal note, I've recently done some travelling to attend some different financial advisor conferences and continuing education and I would say from my perspective, every day that I've travelled and gone through airports across the country, airports are just packed with people. Lots and lots of travelers. Lots of people spending money. That's not a technical way to judge whether consumers are doing okay, but we're certainly feeling the impact of inflation still with oil prices, fuel prices and food prices at the grocery stores.

So, there's still some uncertainty out there. We're still living through the Russia and Ukraine war, which adds uncertainty. And there's still a lot of supply chain imbalances. So we would suggest that we're not out of the woods yet, but there are also some good signs as well. So in the end, we think it's still really important as you work with each of us and our advisory team through Richmond Brothers, to find the right balance and right diversification for you.

This is a hard thing, but when you actually have a diversified portfolio what that means is at all points in your life in a diversified portfolio there's going to be something that you dislike in your portfolio. That actually means that you have a diversified portfolio. We think it's really important to continue revisiting your actual risk tolerance. So what is your portfolio at, what is your comfort level? That really helps guide us to see if you would like to move in a different direction.

And certainly last, but not least, I'm going to start a series of videos this summer called, I'll title them for now I think 'Smoother Ride.' And we're looking for different solutions on your Fidelity investments where you have liquid exchange traded funds, maybe bonds or fixed income, mutual funds. And with this being, according to research, the third bear market that we and you are experiencing in less than 5 years – if that volatility persists as we look out to the next 5 or 10 years, at Richmond Brothers we want to continue to look for other options, other possible solutions that can help give you all a smoother ride.

It's not going to be appropriate for everyone and it's certainly not going to fit every circumstance, but we are working with Fidelity and several others to bring some new resources to you during the second half of 2022 so stay on the lookout for that. And as always, if you have any questions or concerns, please feel free to reach out to questions@richmondbrothers.com. Our goal is to help educate you, to inform you, and to help guide you through no matter what is going on in the financial, the world or the economic environment. Thank you so much for being part of our Richmond Brothers family. We appreciate you and stay tuned for further updates this summer. Thank you for tuning in.

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