Matt's Minutes: August 2022 "Closed Captions"

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Hi everyone, this is Matt Curfman here with an August 2022 edition of Matt's Minutes. I hope you are all doing well and thank you so much for your attention and for tuning in. So, stocks and bonds continue to be challenged in the year 2022. If you look at any market charts, you see that broad bench marks like the Dow Jones, the NASDAQ and the S&P 500, along with AGG, a core bond index, really had bottomed mostly in the middle part of June 2022. Then there was Federal Reserve read outs, there was commentary, there was inflation data and it appeared, in the middle of July, that inflation had possibly peaked and was starting maybe to come down as far as prices. We were also seeing fuel prices and oil prices come down from their highs, which translates to hopefully a lot of good savings for consumers, enough for lower inflation. And so those were all really good things.

Corporate profits were up over 9% as inflation was coming down, so it seemed as if our economy was pretty resilient to all of the challenges that are out there today. And so you saw this period from middle of June to about middle of August where markets and bonds were trying to crawl up from their 2022 bottoms. Now, eventually the Federal Reserve came out in the middle of August and basically kept the same rhetoric that they will be aggressive in fighting inflation. And so even though it may have appeared to have peaked and maybe start coming down, their target is really to help bring inflation back down to a 2% target.

So it would appear that they're still going to be aggressive in continual rate hikes. Their next meeting is scheduled for the middle part of September, and so we'll see what commentary comes out of that. So those are really things that are driving market conditions right now and so if you kind of think about an overall portfolio that might have stocks or equities, bonds, and then guaranteed assets, what's hard this year is the stock and the bond portion have been challenged; stocks definitely more than bonds. Safe assets like cash, money markets, CD's, savings accounts, maybe guaranteed, fixed, or fixed-equity indexed annuities would be the one area that really has been untouched. And so having that downside protection has been really important for those of you that do carry those types of assets.

In addition, we've seen strength in the labor market. That is still looking good, but it seems to be that Federal Reserve commentary and Federal Reserve action is going to drive everything. Question out there – if the Fed does keep raising the short-term rate and that trickles back out to economic condition, is that going to slow inflation fast enough before it could eventually tip our overall economy into recession? No one knows the answer to that, but that is the ongoing debate that's causing a lot of the market variation so far year-to-date. So, what does this mean?

We think it means keep a diversified portfolio. We are going to start to see corporate bond yields, we believe, increase from historical levels, but on some of the bonds you may already own you could see the yields continue to increase over the coming 3-6-9-12 and 18 months. And then if having safe assets and protected assets are the plan, is that a bad thing? Even inside the portfolio, it's okay if you have higher than normal levels of cash or money markets within your plan that helps cushion the ride through choppy times. Also, if you're taking a distribution from your portfolio, having some assets available that either move very little or don't move at all, to tap those and that way you can avoid having to maybe sell stocks or other traditional bonds that might be down year-to-date.

So those are some different strategies. The other thing is to just stay tuned. We are going to start presenting a video series that's called, "Smoother Ride." It may not be appropriate for everyone. It may not fit everyone's circumstance, but we are working with Fidelity and some third parties to bring some other investment options to the table to possibly consider for replacement of your liquid Fidelity mutual funds, exchange-traded funds, bonds and stocks. I hope to have some of those videos coming out during the month of September. Then you'll be able to watch and engage and let us know if you have interest in that.

In the meantime, have a great start to your fall. At least in Michigan we're getting cooler nights and 70 to 80 degree days, so that's been quite nice. And we're here for you to help guide you through, educate, inform you and just help guide you through all the chaos in the world. Again, thank you so much for tuning in. On behalf of all of us at Richmond Brothers, we appreciate the relationship we have. Any questions you have please reach out at Questions@RichmondBrothers.com. Thank you very much.

Sources: