Matt's Minutes: Fall 2022 "Closed Captions"

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Hi everyone, this is Matt Curfman from Richmond Brothers here with a fall edition of Matt's Minutes – partially October, partially November, depending on when you might be viewing this. So, stock and bond markets very obviously are still continuing to struggle. There's been a lot of ups and downs, but it seems like, at least financially speaking, that two big drivers of the volatility really have to do with the Federal Reserve talking about interest rates, raising the short-term rates. And they're of course doing this because of their mandate with inflation. We've had higher inflation in the U.S. and around the world than we've had in decades, so raising the rates is causing uncertainty in the markets because inflation is still too high. Eventually, as those rates stay higher, it does start to effect areas of the market. For example, a new 30-year mortgage is north of 7% or around 7%. If you looked about a year ago, a 30-year mortgage would have been around 3%. So eventually it has the effect of cooling off perhaps even the housing market because at 7% rates, people's payments would be higher and they wouldn't be able to afford as much of a house, so to speak.

Those are the two key financial things. Obviously, in early November we still have mid-term elections. From the markets perspective, hopefully just getting the election behind us is a good thing, physically crossing that date in the calendar, if you will. But it's going to certainly add to uncertainty. We've had a lot of companies now in the S&P 500 markets in general release their quarterly earnings for the third quarter ending September 30. And while there's been some slight disappointment in earnings, nothing Earth-shattering at least in our view and nothing that suggests that the sky is falling economically either. So we're definitely in a weird and odd financial world. And all of the traditional metrics that would suggest, hey, we're in a recession, we're not in a recession, we're heading into one – just the normal, historical measures are not really lining up.

I would say if you have investments in the stock market, in the bond market, the markets are acting as if we're in recession. If you're employed and you're still working, and you're not retired, unemployment is still really low and job growth is still really competitive. Those are usually not signs of our economy being in a recession, so it's sending mixed signals out there, which is a really obvious statement. But historical norms are just not lining up. As I thought about all of this, one other question is, "Have the markets bottomed? When will they bottom if they haven't already?" The truth is no one really knows. As of right now, the market bottoms for 2022 is currently on actually, September 30. So we've climbed a little bit up from that bottom and would suspect that the two triggers again will be inflation cooling off, and also the Federal Reserve kind of getting a little more – not aggressively raising rates like they have been would be the two triggers.

We still have uncertainty with the war with Russia's invasion of Ukraine. There's still supply chain issues, so we're still not out of the woods yet. So pay attention to your risk scores, which again, is on a scale of 1 to 99. The lower your risk score is, the more conservative your portfolio is. The higher your risk score, the more volatile your portfolio is, likely. So we want to continue to revisit that with each of you to make sure that you are still comfortable. And the bottom line is, look, no one likes having declining prices in either stocks or bonds. You don't like it, I don't like it. I can tell you we don't like it. It's not fun to live through. Being that we are where we are in markets, including stocks and bonds, are down pretty grossly this year, you know, it's a good time to reflect. It's a good time to think, okay, as we come out of this do we want to employ different strategies? We've gotten a lot of feedback from those of you who have been able to watch the Smoother Ride video series I've put out over the last couple of months. If you have questions on that, feel free for your own individual portfolio. Again, it's not for everyone, and it may not make sense for everyone. And in general, those Smoother Ride concepts and strategies are going to be for liquid portfolios that have about $95,000 or more. That would be an option there.

Other year-end strategies that we've had a lot of discussions with people and shared some articles and information – if you have non-qualified, meaning non-IRA, non-Roth account, this would be like an individual account, a joint, a trust – with markets being down, it could create an opportunity to do what is called a tax loss harvesting. And so we've put out a couple of educational pieces on this. Keep that in mind, and again, only for non-qualified accounts if it is a strategy that may benefit you. Watch out for those headlines. And also with markets down, if you have retirement accounts, before the end of the year, just to do a quick assessment where you think you're at with taxable income and maybe it might make sense to revisit a possible IRA to Roth conversion. Remember, you can do any dollar amount from one thousand up to one million or really, any value of your IRA. We generally want to look at this on a case by case basis with you.

So, we're starting off the month of the holiday season, a time change. It's a beautiful fall here in Michigan. We've had some great, sunny days. We're here to help educate, inform, and guide you through no matter what is going on in the market or in the world, and we are grateful to have that opportunity. If you have any questions, please reply to this video or reach out to questions@richmondbrothers.com. Thank you so much for tuning in, and I'll be back to you very soon.

Sources:
Ycharts
Research reports