Matt's Minutes: July 2023 "Closed Captions"

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Hi everyone. This is Matt Curfman with the Richmond Brothers. Thank you so much for tuning in for this early July edition of Matt's Minutes. First, depending on when you are watching this, I wanted to wish all of you a happy July 4. Happy Independence Day. I wanted to start off with just a note of gratitude. I received a really kind note from a long-term client of ours and it just said how much they enjoyed the education and the information and the somewhat simplistic view that we present through Matt's Minutes. So, I just wanted to thank you, I think you know who you are, for that comment. And again, my aim with these videos is to help educate, inform and guide so that you can have better and more informed financial decisions for your retirement plan or your investment plan going forward. So that is what we are here for.

A couple of things I want to start off, there's been an artificial intelligence or AI-fueled tech rally, but I wanted to put some context to that rally and just also look back only in the last year and a half. So what I did is I first wanted to show a market chart, so let me share this with you. On your screen now you should be able to see a graph from January of 2022 through June 30, so the last 18 months. This is looking at the price return of the S&P, the Dow and the NASDAQ; three broadly publicized stock market indexes, indices or bench marks. The red line here I drew is really looking at 2022. If you all remember, stocks and bonds were down quite a bit last year. Then we've actually seen things come back up a little bit, however, keep in mind if you look over just the last year and a half, these are where the markets still are over 18 months. So, we're still down 6.5% on the Dow, 7.2% on the S&P, and 13% on the NASDAQ, despite the fact that numbers are somewhat positive in the only 6 month window of 2022. So I just wanted to give you that context.

There has been a lot of risk this year and sometimes things happen so fast and so frequently that we forget. So I just did a presentation recently and at that presentation, I asked the audience if they could recall something of extreme risk that happened back in March – only 90 days ago - and it was kind of silent. We kind of went through this and we said what happened back in March? And it was basically bank failures. So I wanted to share this screen now. According to the New York Post, on the right hand side are the 2023 banks, the three banks, Signature Bank, Silicon Valley, and First Republic. These are the asset sizes. So these three banks totaled 532 billion in assets that were failed and seized by the FDIC just between March and April of 2023. If you go back in time to 2008 to our last financial crisis, and you look at the banking system, there was 25 banks that failed. That accounted for 524 billion in assets. Now there's a really big one, Washington Mutual 430 billion, and the other 24 banks that failed in the '08 financial crisis accounted for 94 billion.

Why I just bring this up is because I think it's important to have context. Literally, less than 90 days ago we just went through these three large bank failures. The value of assets that the FDIC "seized" is larger than the entirety of the FDIC covered banks in the 2008 financial crisis. So I bring that up to say, look, everything is not as rosy as it might seem on the surface. There's been a lot of risk, let alone in June we dealt with the debt ceiling crisis that congress ultimately passed and we kind of just deferred and pushed it out again to the next ceiling that will come up January 2025 post-presidential elections.

So, I only share this just for context. There's a lot of moving pieces out there. We do think it's real important for you to continue to look at and be comfortable with your own risk profile, your own risk tolerance and this is kind of on that range of 1 to 99. The closer you are to a 1, the more stable you are, and the closer you are to a 99, the more volatile you are. The S&P 500, just as a benchmark, comes in at about a risk of 76 or 77 currently and so working with a lot of retirees we find that many of you desire to be at a little bit less than that traditionally, and that's okay. There's no right or wrong answer to what your risk tolerance should be. We want to help you bring that all together and keep that in mind.

As we move forward this year, there's still two or three main things we're looking at. One, the Federal Reserve does not seem to be done raising interest rates. They did a pause because of the bank failures. It seems like they are intent on continuing to raise the rates even for the next one or two cycles this year. We'll see what happens there. We are seeing inflation come down from its peak and so that's really what the Federal Reserve has been targeting. It'll be interesting to see what happens later this year with unemployment numbers, and ultimately what happens with the scary R word, Recession.

There is still a chance of recession on the horizon and so this is where if you are not already utilizing maybe some of the Smoother Ride options that we've talked about and educated you on, we did just do a presentation with the founder of Beacon, who I've termed the Smoother Ride concepts, and we'll have that recording available. You'll have to sign up for it. So if you're not signed up for it, we should have that recording available this week, but go ahead and email questions@richmondbrothers.com and type in the subject, "Smoother Ride video recording," and let us know that you would like access to that recording and then we can add you to that list so we can send that out for continued educational purposes.

Remember, the goal of using those strategies is to remove extreme and excessive down side. It's not something that says we can no longer expect any downside. There's still going to be some downside, but we want to have some safety nets in place to lessen some of the extremes, and that's really what the focus of that is. We are here to help guide, inform and educate you as we move through the financial waters whether they are clear and sunny skies or whether there are storms on the horizon. We appreciate you and appreciate having the opportunity to work with you. If you have any questions, please call our office at 517-435-4040 or questions@richmondbrothers.com. Thank you so much for tuning in, have a great July 4th week and start to your summer, and we appreciate having the opportunity to be here for you.

Sources:

Y Charts
Research Reports
https://nypost.com/2023/05/01/this-years-3-bank-failures-held-532b-in-assets-more-than-all-lenders-that-collapsed-in-2008-crisis/

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