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Good Afternoon,

Stocks sold off early last week after the Fed released recent meeting minutes on concerns that they will be backing off their commitment to “lower rates for longer.” The reaction to the Fed minutes was a little overdone. At this point, the Fed is not discussing any adjustment to its policies. Markets have since rallied back closer to all-time highs. Investors seem mainly concerned over potential inflation threats which would force the Fed to raise rates sooner rather than later.

For some perspective, inflation, using the “Consumer Price Index” as the measurement, was up +9.0% in 1978, up +13.3% in 1979, followed by +12.5% in 1980, and up +8.9% in 1981 (source: Department of Labor). CPI has recently reached 2% after remaining below that number for many years. The current debate is whether we are on an uptrend or if higher prices are transitory. Remember that we essentially shut down the economy for 6 months. Prices dropped due to lower demand and production for most industries was shuttered. Our recovery economy has seen demand resume and production yet to catch up – but it will, and the demand/supply imbalance will correct itself.

50-year-old Phil Mickelson won the PGA Championship over the weekend, besting the young guys for one of golf’s Major titles. This was a dramatic victory that almost all golf fans loved. It is a true inspiration to all of us older golfers who may have believed our best golfing days are behind us. Thanks Phil!

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a wonderful Memorial Day weekend,

Wade

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