

June 17, 2022

Good Afternoon,

Stocks welcomed the Fed's decision to raise the Fed Funds Rate by .75% with a strong rally on Wednesday. That changed overnight with a sharp drop on Thursday, an extension of the ongoing June slump, as the investment community now understands the Fed is serious about fighting inflation- although it seems they are late to the game. The market appears very emotional right now which is reflected by the extreme volatility. The selloff has been painful, but we know that these are not the prices at which we should sell.

The culprit remains high inflation, accelerated by soaring gas prices. At some point high prices will begin to quash demand and economic activity will slow. There is some evidence that the trend has already begun. This adds to the concerns as markets worry the Fed will be raising rates into a slowing economy, potentially pushing the US into recession. Top analysts are mixed in their projections for the economy as about half are predicting a mild recession in 2023.

Markets historically bottom out before a recession as traders try to anticipate slowing economic activity. That is a silver lining for investors concerned about when this selloff may end; it will be before any recession begins. How soon, we don't know. But market bottoms are punctuated with violent moves down – and up. We are experiencing both at this time; we just need a few more ups. Have great weekend.

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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.

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