

June 23, 2022

Good Afternoon,

Markets have held up better this week than last, but it will take quite a rally over the next seven days to get June back to a breakeven level. Of note is the sharp decline in the 10-Year Treasury Bond yield from 3.45% on June 14th to 3.05% today. What does that tell us? Perhaps the bond market is signaling that we've seen inflation peak and that perhaps the Fed won't have to be quite so aggressive in raising interest rates – as they did last week. That would be welcomed by investment markets. (Oil futures prices have also dropped sharply in the last 10 days.)

Along with the interest rate increase by the Fed last week was a subtle message from Chairman Powell that the Fed could use help from the government through fiscal policy adjustments (spending and tax policies). It's unlikely that a divided Congress will do anything in a mid-term election year. However, the Biden administration is facing a near-term decision regarding Trump era tariffs initiated in 2018. Those tariffs are scheduled to sunset on July 6th and the administration can either let them expire, reduce them, or continue them. The decision can have a significant impact on import prices and will likely headline the news in coming days.

It's amazing that 2022 will be half over in a week. Q2 corporate earnings are not that far off, and we shall see if corporations are able to meet lowered profit expectations. Current P/E ratios (a value indicator) show that stocks are much cheaper than they were six months ago. That ratio is the stock share price as the numerator and the earnings per share as the denominator. Only a fraction of people will understand that. (I've been receiving complaints about the lack of (bad) humor lately, so there you go.)

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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.

Enjoy your start to summer!

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