

July 21, 2022

Good Afternoon,

Stocks have shown some resilience over the past week with solid advances in the major market indices. While the Fed is certain to raise the Fed Funds Rate again next week, longer term rates (i.e., the 10-Year Treasury) have settled around 3% after rocketing up early in the year. The key remains inflation and there are some signs that we may be turning the corner on rising prices. For example, the price of copper peaked at \$4.92 per pound in March but has since fallen 34% to \$3.23 per pound last week. Copper is used in nearly all household appliances, in automobiles and in HVAC systems. Gas prices have also dropped about 10% in the past month.

Think inflation is bad now? Inflation, as measured by the “Consumer Price Index,” was up 9.1% on a trailing 1-year basis as of June 30th. That’s the 7th consecutive month that has reported inflation of at least 7% on a trailing 1-year basis. Between June 1978 and February 1982, the US suffered 45 consecutive months that reported at least 7% inflation on a trailing 1-year basis (source: Bureau of Labor Statistics). The 10-Year Treasury yield hit 14%. It’s important to keep our current inflation concerns in perspective.

The US dollar has been on tear this year, rising in value versus most major global currencies. That’s great news for our import-crazy economy as it keeps the cost of foreign goods lower. It’s also great if you are traveling abroad. However, it hurts US companies that export goods to other countries. We expect to hear that from companies as they continue to report earnings from the second quarter. And once we have the 4th quarter, we’ll have a dollar. (Just wanted to see if you read to the end.)

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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 week,

Wade

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