

## May Commentary

May 3, 2022

It has been a difficult year for the stock market, and the numbers tell the story. With four months in the books, the stock market is putting in its worst performance in decades. The S&P 500, down 13% so far this year, has had its worst start to a year since 1939.

Why? The stock market and bond markets are predicting a steady increase in interest rates from the Federal Reserve for the rest of the year. Higher interest rates are a negative for many companies because it costs more to borrow money to fund and expand operations. Coupled with higher inflation and wages, companies are seeing their expenses jump.

Bonds have not fared any better and have declined 7-8% for the year. Higher rates cause the prices of bonds to fall. The yield on the 10-year Treasury note is at 3% which is double from the start of the year.

Our view is that funds needed in the next 1-3 years should not be invested in the stock market. The markets are too volatile and unpredictable for your short-term needs.

We continue to invest in companies with growing earnings, strong balance sheets, and a history of paying and increasing dividends. Many pandemic stocks such as Peloton and Zoom have declined over 75%, and most blue-chip stocks have provided more stability.

About 80% of the companies that have released earnings, have reported better-than-expected profits for the first quarter. With low unemployment, the consumer is in better financial shape than before the pandemic and still spending.

Market downturns are unsettling. We believe that it also presents opportunities to purchase companies at discounted prices. We will continue to adjust portfolios and stay the course to create long-term growth and solid returns.

If you have any questions, we can be reached by phone at 216-539-8444 or by email.

Best Regards,

Jim & Dave

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