



Market Update – May 4, 2022
The Sky is Not Falling

No, the sky is not falling, although it may seem that way these days. Unfortunately, the bad news continues to dominate the headlines, and that is never good for stocks.

The market has run into a considerable wall of worry. From uncertainty surrounding Ukraine, compounded by the threat of further escalation, to stubbornly high inflation and rising interest rates. Unfortunately for investors, rising interest rates have also caused bond prices to decline, so fixed income isn't able to provide the haven we normally expect during periods of volatility. Meanwhile, the stock market is ignoring what was an impressive earnings season, and punishing most stocks, even well-run companies that aren't showing any signs of short-term vulnerability.

While many companies are currently grappling with supply side shortages and rising prices, corporate balance sheets remain strong overall. These companies should be back to normal when the clouds dissipate. The \$64,000 question is, of course, when will this happen? Unfortunately, nobody knows for sure.

In reality, the market will probably be range-bound near current levels through the summer, certainly until we see evidence that 1) the interest rate hikes by the U.S. Federal Reserve are working, and inflation starts to trickle back down; and 2) we see visible evidence of improvements in global supply chains. Volatility is also likely to continue until these macro issues move closer to resolution.

Instead of trying to guess when this will happen, and selling indiscriminately, a form of market timing, we continue to search for the companies best positioned to ride out the current storm and emerge as strong as ever on the other side.

We know that you can't ignore the headlines, days like last Friday, and months like March and April can be frightening. But we encourage you to not get too excited about large moves upward or too discouraged when the opposite occurs, because we've seen this before.

The market is fundamentally acting as it usually does. We are not surprised that the market has retested its March lows, as after-market corrections it is common for investors to sell into rallies to take advantage of short-term gains.

But as long-term investors, our job is to ignore the short-term gyrations and focus on ensuring that client portfolios contain high-quality companies with strong fundamentals and solid underlying businesses.

Our job is also to remind you of this long-term vision and be available to discuss your concerns. We stand ready to help make any necessary changes to your portfolios if your individual circumstances dictate that that becomes necessary.

We are here to help in any way, so please do not hesitate to reach to us with any questions or concerns.

Sincerely,

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