THE PRIVATE CLIENT GROUP
BALANCING LIFE & WEALTH

BEHAVIORAL & FINANCIAL INSIGHTS

Mid-Year Market Review & Commentary

Market Update

As the media has reported, the first half of 2022 was the worst start to a year for the stock market in over 50 years. And it was the worst start to the bond market *ever*. We are in bear market territory. This is not something to be feared, just something to be understood. Below are three important points to maintain a healthy perspective:

1. The history of the market is still being written. “Worst ever” and “best ever” will continue to occur in the future. The media will have a heyday with it. We should simply accept this as a fact of life and tune out the noise.
2. While bear markets are very uncomfortable and can instill fear, they are an *essential element* of healthy capital markets. They squeeze out the excess, encourage companies to become more efficient, and pave the way for the next bull market.
3. The greatest asset an investor has is personal choice. We cannot control (nor predict) markets, but we can control how we respond. Many will *choose* to sell in the face of losses. We believe it is better to exercise patience and “strategic ignorance” – choosing to ignore financial news and account values until the market rights itself.

Inflation & Recession

- We are in a period of high inflation. While the rate of inflation may begin to level off, these elevated price levels will likely persist for a while. With the Fed increasing interest rates and tightening money supply (quantitative tightening), there is a decent chance many global economies go into a recession.
- A recession is often the cure for the disease of inflation. A recession is generally preferred to inflation. We can expect that the media will try to instill fear about an upcoming recession. We can simply acknowledge the facts while steering clear of any fear-mongering.
- In past recessions, we have usually suffered significant increases in unemployment. This time around, however, unemployment is quite low, and companies are still trying to hire. Unemployment may increase, yet given the current low levels, it is uncertain how much of an impact this may have on the overall economy. As previously stated, we are still writing the history of markets and economies.

Looking Forward

- Anticipating what we may experience and how we may feel can help investors make better decisions. We can expect the media to promote every piece of negative news they can (since fear sells). We can also expect to feel concerned and perhaps fearful about the future. In fact, the more we tune in to the media and look at account values, the more fear we can expect to feel. And the more fear we feel, the more we may be tempted to make unwise investment decisions.

- We can also learn from history. Think back to March of 2009. There was extreme despair after going through over two years of a Global Financial Crisis, with little hope that things would change. The outlook was bleak. And yet, that was precisely when the market hit bottom and began bouncing back. Since March 9, 2009, the market turned around and trended higher for the next 12 years. Those investors who maintained their discipline, and stayed in the market, participated in that increase.
- During tough times, the best thing to do is to focus on what you can control. You can control your spending. You can control what you pay attention to. You can control the investment allocation, which was constructed with the expectations that recessions and bear markets will periodically occur. While it may be uncomfortable to live through tough patches, none of this is totally unexpected, nor outside the realm of what happens in healthy capital markets. During challenging conditions, people seem to forget that economic and market cycles are just that – cyclical.

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