TOWNSEND
Retirement & Legacy Planning

ECONOMIC AND MARKET COMMENTARY FROM JEFF TOWNSEND

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Here we are, in another period of uncertainty! Inflation has spiked to levels that we haven't seen in some 40 years, Russia's tragic war in Ukraine, supply chain constraints and the American energy policy has made the situation even worse.

I wrote in our March market commentary that while the market was well off the March's low, I didn't think that the market would hold, and it hasn't. The causes that I listed above are the primary reasons to the volatility that we are experiencing.

Some recent reports indicates that inflation is the number one concern for consumers. This may force consumers to defer purchases of discretionary items (assuming the items are even available). This trend may reduce GDP growth during the spring and summer months. If you ever took any econ classes you may recall that too many dollars chasing too few goods result in inflation. I think that too few goods can be blamed to a large part on supply chain disruptions which can be attributed to offshoring manufacturing. I remember early in my career many economists were touting the benefits of offshoring to Asia. As we've learned China cannot be relied on. I can't for the likes me understand why any company would do business with a communist country.

All signs suggest the Federal Reserve is behind the curve in its attempt to combat inflation. This will likely result in more restrictive monetary policies over the balance of 2022 and into next year. With signs suggesting that economic growth is already slowing down, the central bank must avoid pumping on the brakes too hard which could result in a recession. As I said last month, I have no way of knowing if or when a recession will occur but I do know that recessions are normal events after years of growth and they don't last long.

Whatever you do, don't panic! After all, what is the essence of successful long-term investing? It's the continuing practice of rationality under uncertainty. What does this even mean you may be asking? To me from decades of experience, this means basing our investment policy on our financial plan and not by short-term events and market swings. History tells us that one can expect one negative year out of four. The last year we had a negative year was 2018, so with that logic 2022 could certainly be negative. The good news is that more times than not the year following a market decline is good for those who are patient. The other good news is that all of our portfolios are well within historical norms as far as peak to trough returns relative to risk.

Today, we can't anticipate what Putin will do in Ukraine, nor how or when inflation will go down, nor when the supply chain disruption will end. What we do know amid all this uncertainty is that great companies in America and the world find ways to adjust to challenges. Today's crisis invariably becomes yesterday's news. It all comes down to acting vs. reacting.

As always, I welcome your comments, questions and concerns.

Thank you for being our client, it's a privilege to serve you!

Jeff

Jeff Townsend, CRPC ®
CEO
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We're open Monday through Thursday 7:30 a.m. - 5:00 p.m. and Fridays 8:00 a.m. to noon.

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