

Headline Risk - At It Again!

Everywhere you look, you see sensational headlines. The latest ones deal with the debt ceiling. On CNN.com, on May 24th, just last week, the head line is, “It’s going to be catastrophic” (1:59 p.m. ETD, Wed. May 24, 2023). Wow! I wonder what will follow the following week. Perhaps, “Another interest rate hike likely to doom your portfolio” might be a fitting title. I find the headlines fascinating. Generally speaking, bad news sells. The editors must just sit around to and say, “How can we scare more people today?”.

First and foremost, things are looking much brighter as we go into the summer. Not only do we have nice weather, but we are getting very close to the end of the interest rate hiking cycle. This is very good news for investments, both on the equity (stocks) and on the fixed income side (bonds).

Good news #1: Historically, any time Municipal Bonds have had a negative year, the subsequent year has up by double digits almost every time. Municipalities are doing well and flush with cash. Have you seen your real estate tax bill?

Good news #2: The general consensus is we will have a rate ‘cut’ by the end of the year. Interest rates being lower can help businesses and consumers alike. If you have a lower payment, that is more money to save, invest, and helps your discretionary spending. Those days will come again, hopefully towards the end of the year.

Good news #3: The Consumer Price Index (CPI) reached 9.1% last summer. That is a big ouch. The figure appears to be declining and again the general consensus is this number should be near 3.5% by the end of the year. It is not the 2% target that the FED was seeking, but it is definitely heading in the right direction.

Good news #4: The price of Diesel is down 33% from last summer. If truckers are paying more to transport, those higher numbers trickle into consumer goods. That trend is better. Regular gas prices are also headed in the right direction from a year ago. EV purchases are on a tear and this can be one of the catalysts. OPEC has cut production and we are headed into summer, so oil may not continue to decline.

Good news #5: Jobless claims and the unemployment rate are both still doing well; arguably and unfortunate, too well. The U.S. has two job openings for every person that wants to work. Blue/White collar jobs, openings are everywhere.

Good news #6: Traveling has now surpassed COVID levels. There has been a ton of pent-up demand. Travel and leisure jobs continue to gain. Plus, it seems more people are retired and traveling.

Bad News is Good News #6: Back to the FED again. A recession is now looking like it may happen as the following are negative 'current' indicators: Housing permits, Job Sentiment, Retail Sales, Wage Growth, Commodities, Profit Margins, Money Supply, Yield Curve to name a few. There are two positives: Employment and Trucking. Hopefully, there are enough negative economic readings that the Fed's work may be done. It is strange to think that they have to inflict short term pain, to avoid long term 'real pain' with runaway inflation. They appear to have done their job. Remember, by the time a recession officially happens, we may be well past it or on the way passed it.

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This summer, we have a new intern, Joseph Prohaska. Joe is in the Business Administration CFP® Track program at Virginia Tech. He has only been here a few weeks but his customer service has been exceptional. He is excited to be a part of the team this summer.

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During the time of June 8 to June 17th, I will be in the Copperbelt of Zambia with my Rotary Club. This is not a safari or a vacation! This is a due diligence trip for water and sanitation projects that we have been working on since 2007. This is my fifth trip to the area. We anticipate visiting between 20 and 25 schools over the 7 days we will be in the country. I may do a write up with some pictures in the next newsletter, as that got more attention some years ago than typical financial updates.

If you have any questions, please call the office. They -will be able to help you. Lihong (Katy) Kan has been with us for 3.5 years and Polly has worked in the field for 30 years. If it is urgent, they know how to get in touch with me. Otherwise, I will return on Monday, June 19th.

Sincerely,

Andrew D. Wade, CFP®
President