

May 10, 2022

## The Brevity Series – Investors vs. Analysts

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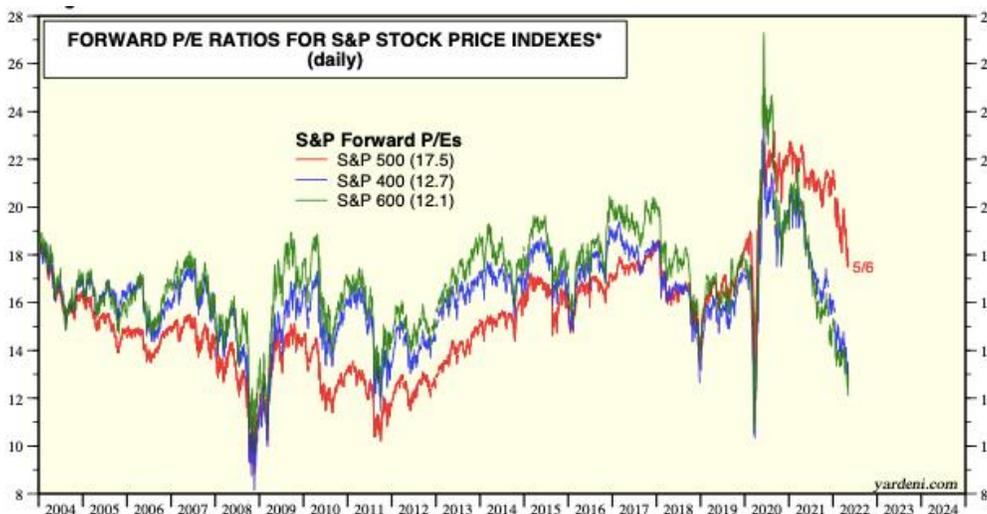
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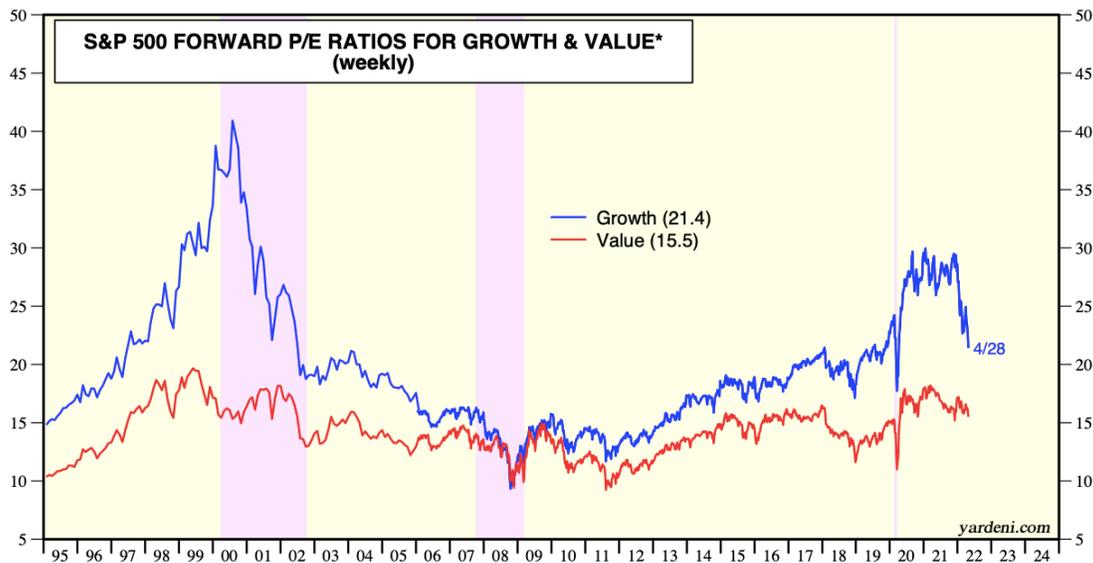
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There is an epic battle unfolding between stock investors and industry analysts. Stock investors, (perhaps stock traders would be a more appropriate description), are pushing stock multiples and stock prices lower. At the same time, industry analysts are increasing their forecasts for corporate revenues, earnings, and profit margins to new record highs. Someone will be proven wrong. We continue to side with the industry analysts. They see Fed Chair Powell getting inflation back under control without crashing our strong and liquid domestic economy.

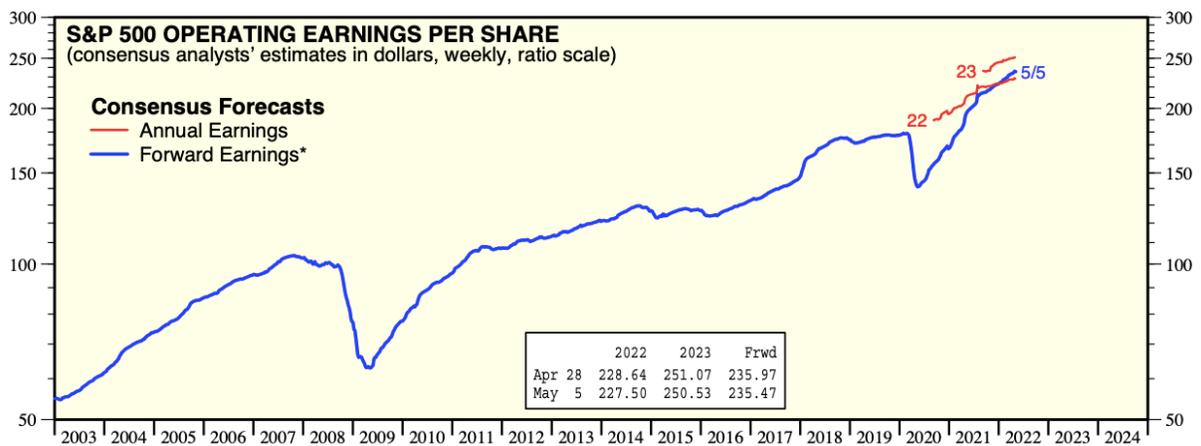
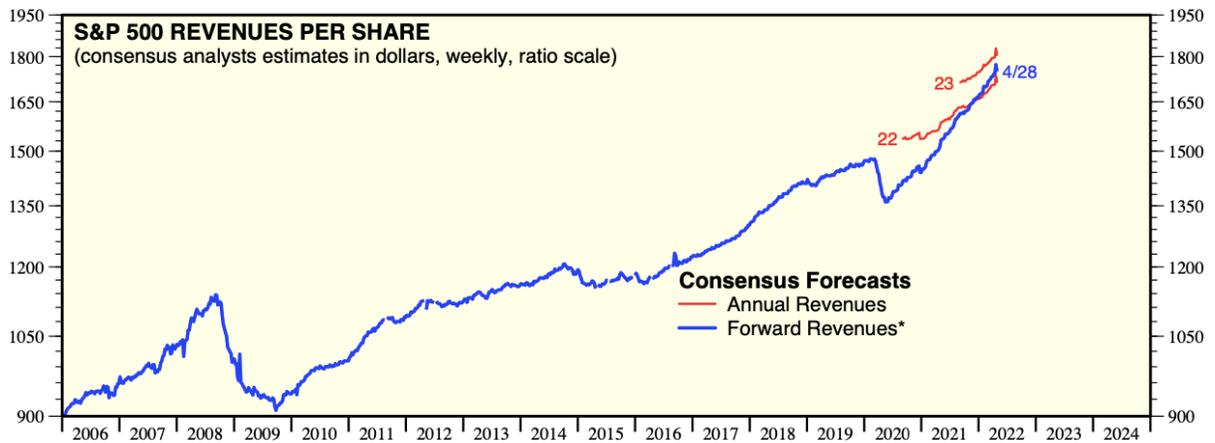
The S&P 500 peaked at the start of 2022. Since then, it has fallen by 14%. It is poised to sell off further on today's open. The S&P 500 went into the year with a 21.4X multiple and currently holds a 17.5X multiple. Mid Cap(12.7X) and Small Cap(12.1X) forward P/E's have fallen well below their long-term averages.



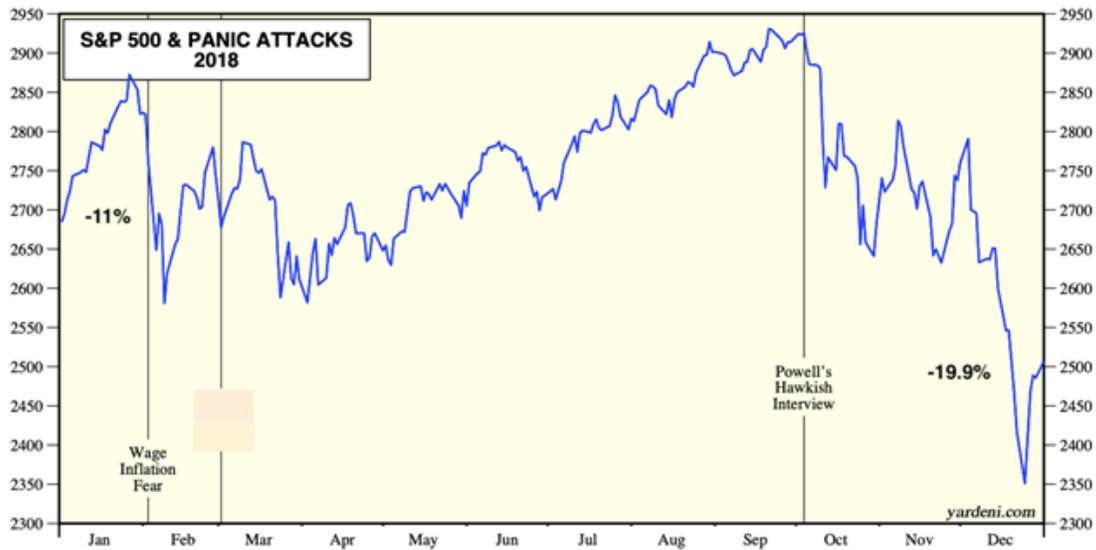
All these multiples remain on the lower end of our forecasted range for multiples. Stocks were modestly overvalued going into 2022. Currently, we believe they are undervalued. Dissecting the aggregate multiple a little further, we recognize that the S&P 500 extended multiple was largely due to Large Cap Growth, aka the big tech companies. LCG entered the year with a 28.3X multiple. That multiple has compressed to 21.4X. Large Cap Value entered the year with a 17.1X multiple, this multiple has shrunk to 15.5X. Fears over inflation have compressed higher multiples faster than more modest multiples. LCV has fallen -5.14% this year vs -20.8% for LCG.



Meanwhile, industry analysts continue to raise revenue and earnings forecasts. They are flat out rejecting the notion there will be a recession due to inflation and the Fed's response. Not only are they forecasting record revenue and earnings for 2022 and 2023, last week they adjusted these forecasts even higher.



Analysts continue to observe that inflation is inflating corporate revenues more so than corporate costs, and this is beneficial, not harmful, to corporate earnings. Our first edition of *The Brevity Series* focused on volatility. It is very difficult to understand why markets are moving so dramatically on both a daily and intraday basis. Long-term fundamentals remain solid. We believe markets are having a *Taper Tantrum*, similar to the fits the stock markets threw, and eventually recovered from, over inflation and Fed tightening threats in 2018.



This Taper Tantrum started four months ago. We preach the importance of long-term investing, and our process is designed around the long-term fundamentals of financial markets. That said, we don't hide behind this. We understand it is unnerving when markets behave like they're currently doing. We will continue to communicate and are always available. We believe we are near the bottom end of a very volatile short-term range. We expect inflation to peak over the next couple of months and we don't expect the Federal Reserve will need to crush the currently healthy economy in order to control inflation.

Hang in There,  
The Mommaerts Mahaney Team

**Jon C Mommaerts, CFP®:** Jon is a Principal of Mommaerts Mahaney Financial Services, Inc. He has over 30 years of experience working with professionals and those about to retire. He is a member of the Financial Planning Association, as well as a member of the Preferred Financial Advisors.

**J. Matthew Tuccini, CFP®:** Matt has over 17 years of experience working in the financial services industry with vast experience in retirement planning, tax strategies, and financial planning.

**Robert Kea, CFA:** Bob has over 30 years of experience in portfolio management. He was a founding member and Co-Head on Putnam's Asset Allocation Group, which managed \$12Bn in both retail and institutional assets.

**Jason Rolling, Financial Advisor:** Jason has been in the financial services industry for the past 15 years. His financial experience includes retail banking, consumer & commercial lending, bank management at the local, regional and SVP level, wealth management, and financial planning.



Mommaerts Mahaney Financial Services, Inc. provides advisory services through ERTS Wealth Advisors, LLC, a registered investment advisor.  
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