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October 14, 2022

Brevity Series – Another Crazy Day

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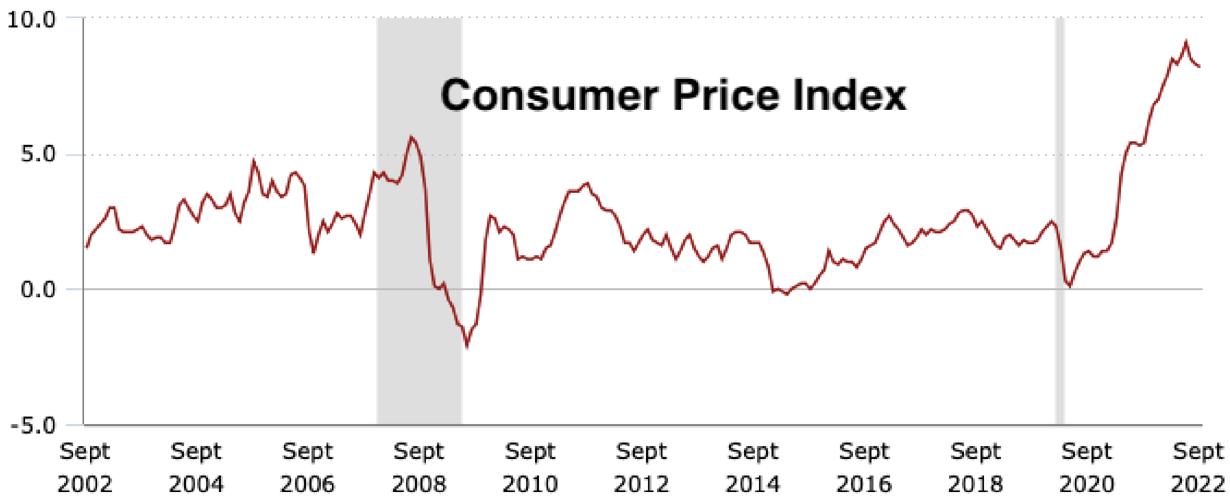
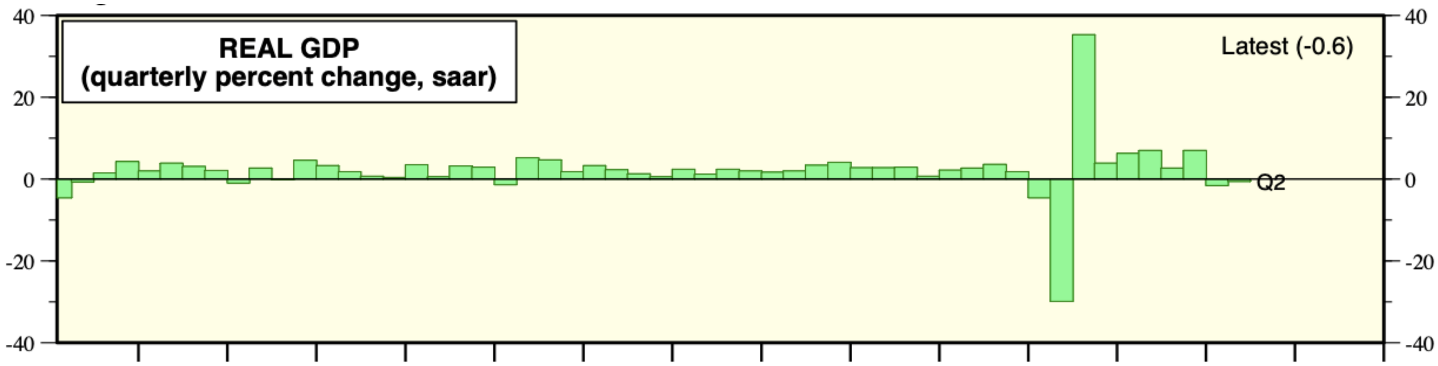
2022 has been and continues to be a year unlike any we can recall. In a year characterized by crazy volatility in financial markets, yesterday may have been the craziest. Stocks sold off 2.4% on the higher-than-expected reading of the Consumer Price Index (CPI). At some point during the late morning, and for no clear reason, stocks decided to rally. 5.2% later, they closed the day up 2.6%. There are plenty of explanations as to why on the various media platforms, i.e. "investors reassessed the inflation data". The only honest answer at this point is to acknowledge that technical traders are in full control of daily market movements. They are not looking at inflation data, or any other economic data. They are looking at trend lines, oscillators, long/short ratios, convergence/divergence, volume, moving averages, etc. Although fundamentals will always dictate long-term returns, right now, they don't matter a whole lot.

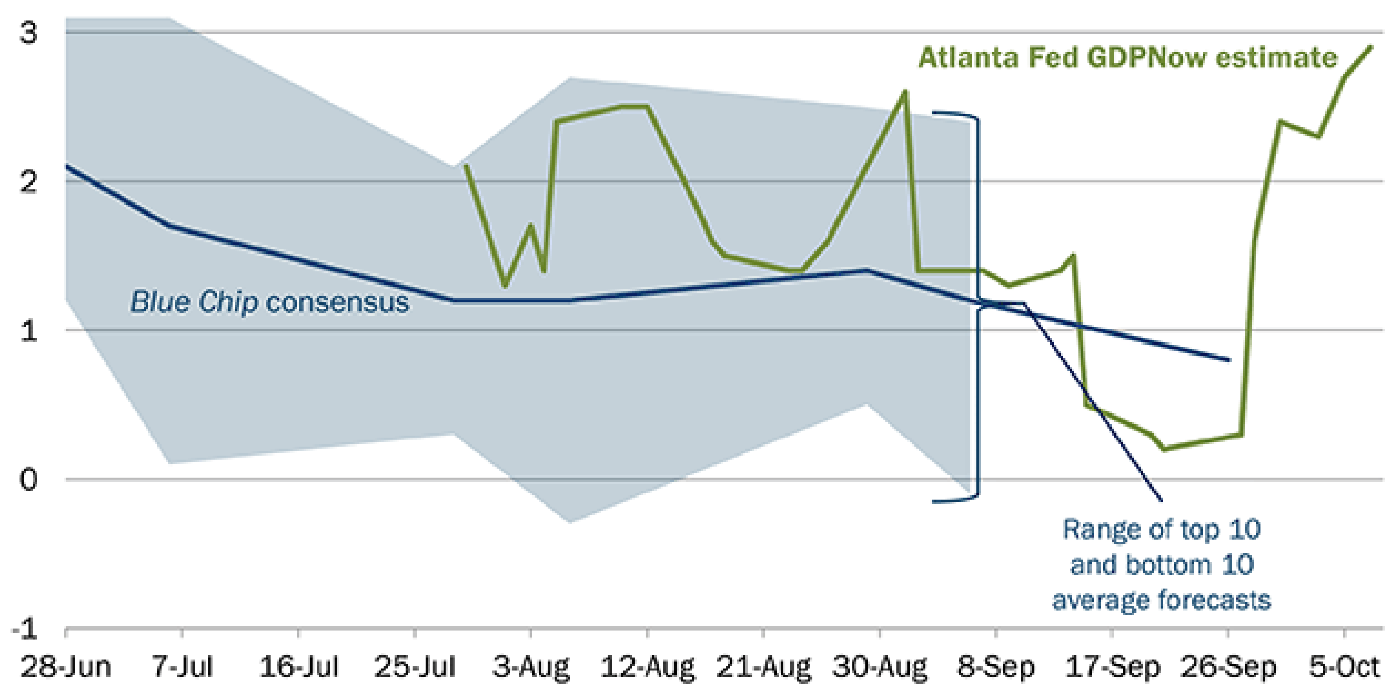
What the inflation data did show was that inflation remains high, but is declining. Inflation has likely peaked. The CPI rose +0.4% in September and is now at 8.2% YOY, down from 9.1% in June. We expect this trend to continue.



The CPI chart above is from the National Bureau of Economic Research (NBER). The shaded gray areas represent recessions. It's interesting to note that although the widely accepted definition of a recession is two consecutive quarters of negative GDP growth, the NBER has not yet declared a recession occurred. Q1 and Q2 GDP readings were ever so slightly in the red.



The Atlanta Fed's GDPNow forecast for the recently ended Q3 is currently at +2.9%. This is consistent with our view that we will experience a slowdown vs. a collapse of the U.S. economy. It's difficult to envision a deep recession coinciding with record-low unemployment and corporate earnings growth.



We expect another 75 basis point hike by the Fed at their meeting in early November. We think it would be wise for them to pause after that and observe the economic impact that their tighter monetary policy is having on the economy. In summary, we expect continued volatility through the end of October and then a gradual and sustained recovery after that.

Have a wonderful weekend,
The MMFS 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.

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