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September 23, 2022

Brevity Series – Thoughts about this week

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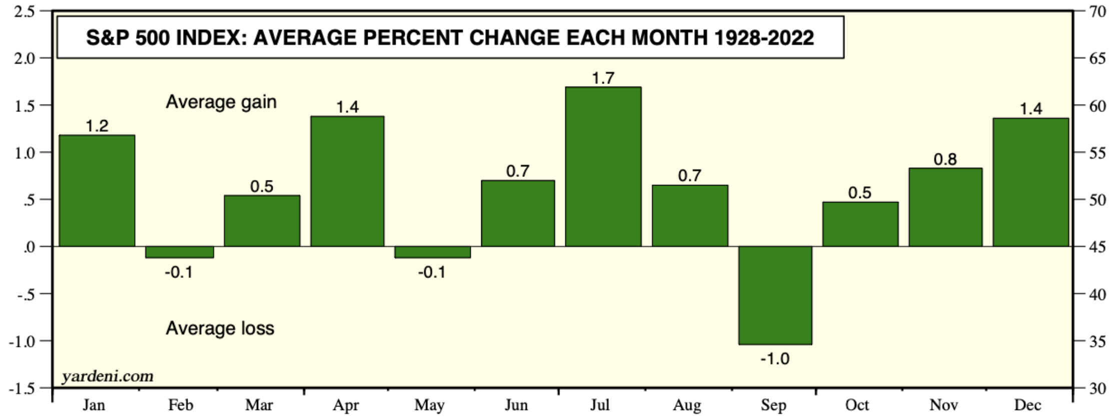
The Fed raised the FFR by 75 basis points (.75%) on Wednesday. Stocks sold off, bond yields shot higher, the U.S. Dollar soared, and commodity prices, in particular oil prices, fell. The rate hike and post-meeting comments by Fed Chair Powell were consistent with the consensus expectations of economists.

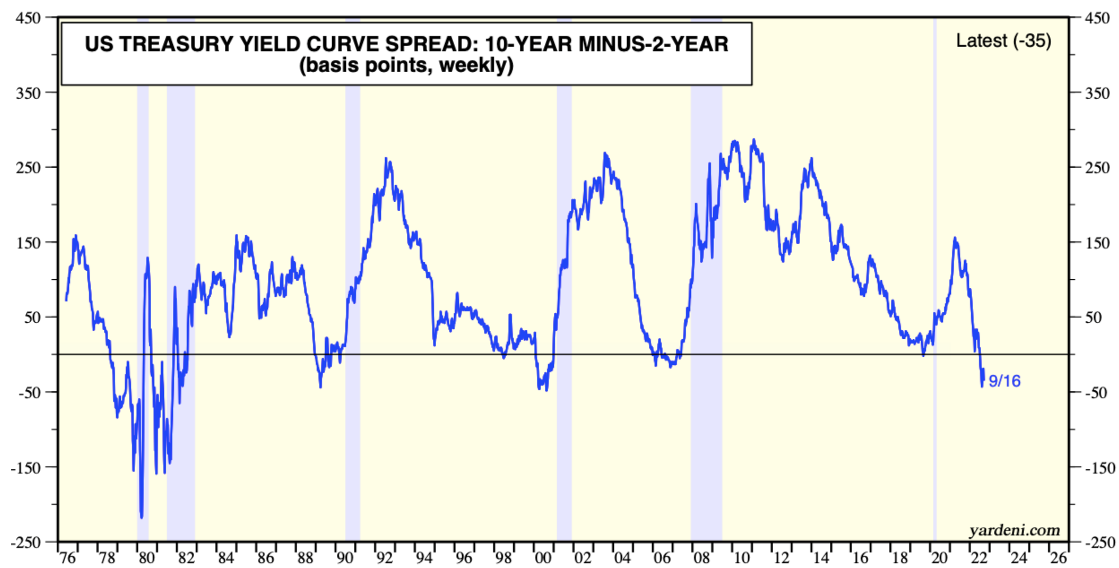
Stocks - Stocks rallied following the Fed's announcement of a 75 basis point rate hike and Fed Chair Powell's post-conference speech. The rally fizzled and stocks ended up closing lower Wednesday and sold off further Thursday. It appears stocks will also close lower today. The S&P 500 remains range bound between its June 16th low and recent August 16th high. We expect stocks to remain near the lower end of this range through the end of October and close the year near the higher end of this range. Our expectation is that stocks will approach new highs again during the second half of 2023.

Fundamentals show that GDP will likely grow about 1% during 2022 and corporate earnings will likely grow between 1%-3% in 2022. This is consistent with a soft-landing scenario. An economic slowdown to soften inflation without a severe recession. Shorter-term technical trading continues to produce the higher-than-usual stock volatility we are experiencing. From a seasonality standpoint, September is traditionally the weakest month for stocks and October isn't great either. November, December, and January are traditionally stronger months.



Seasonality is one of those factors we'd like to dismiss but can't. It continues to be a statistically significant variable. The reasoning for this is debatable. Perhaps it's anxiety over midterm elections.

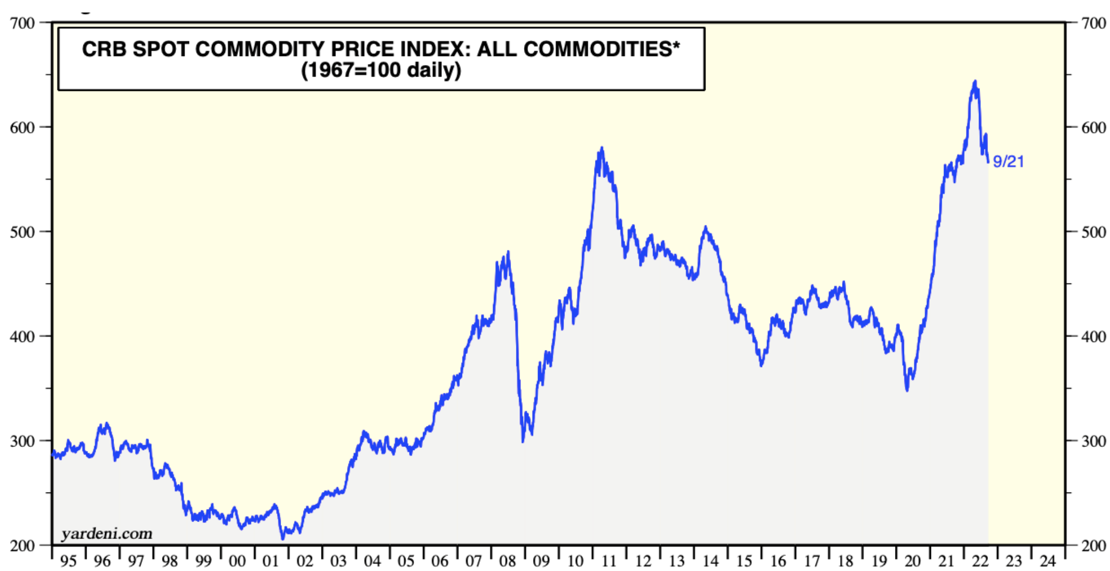
Bond Yields - Interest rates have shot higher this year. 2-year yields started the year near zero and are now 4.2%. 10-year yields started the year at 1.50% and are now 3.80%. Short-term interest rates have risen more than long-term rates, this has inverted the yield curve.



An inverted yield curve has traditionally been a good indicator that a recession is imminent. The blue shaded areas on the above chart are recessions. Unlike the 2000 and 2008 recessions, currently, there are no indicators that credit is overextended and credit contraction will lead to an economic contraction.

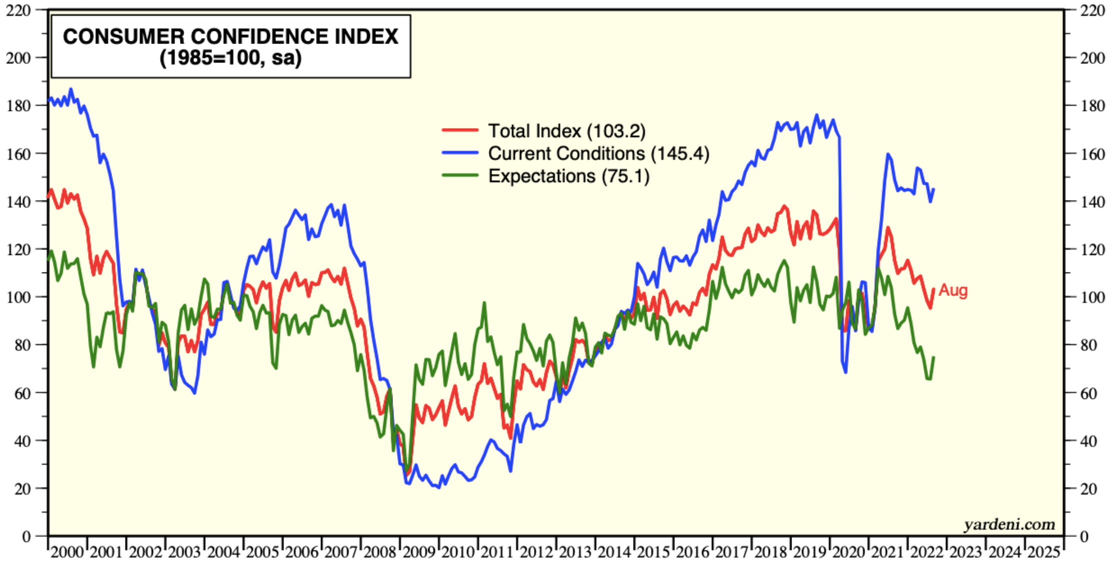
U.S. Dollar - The U.S. Dollar continues to make new highs against all the major foreign currencies. This is due to the U.S. being relatively more attractive than the rest of the world and continuing to attract foreign capital flows.

Commodities - In contrast to overall higher inflation, commodity prices have been falling. Oil is down to $82 a barrel. This is consistent with our expectations that inflation has peaked.



Our expectation continues to be that the economy will not experience a deep recession, depending on your definition of recession, perhaps no recession at all. There is a lot of uncertainty and anxiousness in markets and although economic growth and corporate earnings have slowed, they continue to tread water this year and should start recovering next year. Inflation has peaked and is starting to move lower.

The Fed will likely raise another 75-100 basis points and then pause. The U.S. Consumer remains in good shape. Unemployment is at record lows and consumer savings remain high.



We remain underweight stock risk (beta) and bond market risk (interest rate and credit). We will continue to update you on market conditions and portfolio positioning. Investors should expect continued high volatility levels through October.

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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