

## Recent Market Volatility

The current market volatility has some investors concerned, so I thought I would highlight a few points from our investment research that you might find constructive. Investors are inundated with negative news flow. Because of this, I thought it might be helpful to discuss some of the positive trends we are seeing in the economy and moves we are making in the portfolios to take advantage of the dislocations we are seeing in the markets.

While we do not possess a crystal ball, we believe the stock market has sold off on fears of a future recession. Although we are also concerned with the Federal Reserve's ability to combat inflation, there are several positive areas that give us hope that a recession is not imminent:

- **Employment and Job Growth**
- **Industrial Production**
- **Corporate Profitability**
- **Consumer Debt Levels**
- **Rebound of Service Economy**

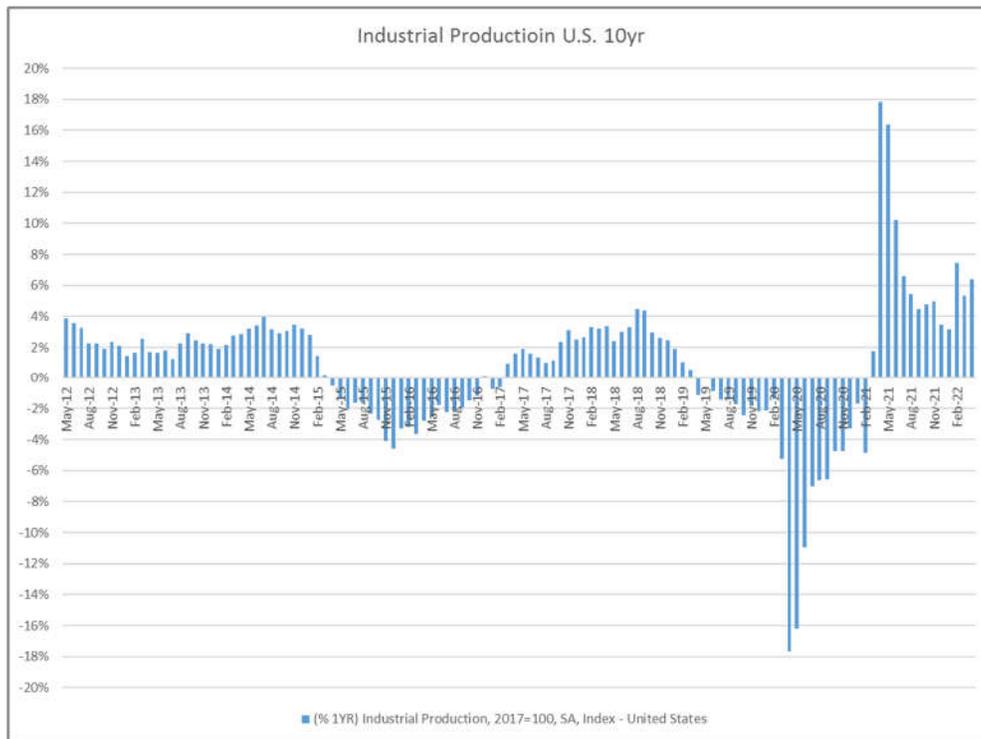
### Employment & Job Growth

Unemployment levels are at historic lows while job creation is still very healthy. The consumer makes up two-thirds of economic growth. A healthy consumer that is employed has historically been the best predictor of economic growth. There are currently almost 2X the number of job openings as there are unemployed workers.



Source: U.S. Department of Labor, J.P. Morgan Asset Management.  
Guide to the Markets – U.S. Data areas of April 30, 2022.

Industrial Production is the strongest we have seen since 2011.



**Corporate Profitability**

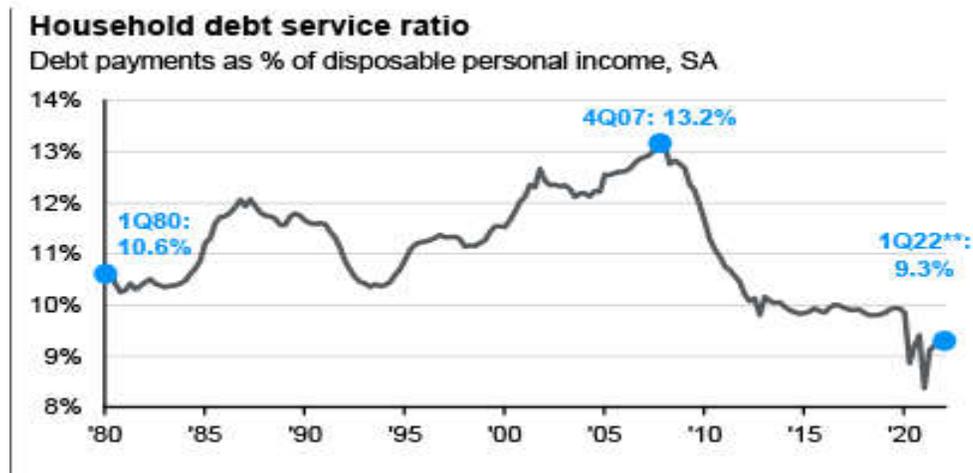
Corporate Profits have rebounded nicely since COVID and are expected to continue to grow over the next three years.



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.

## Consumer Debt

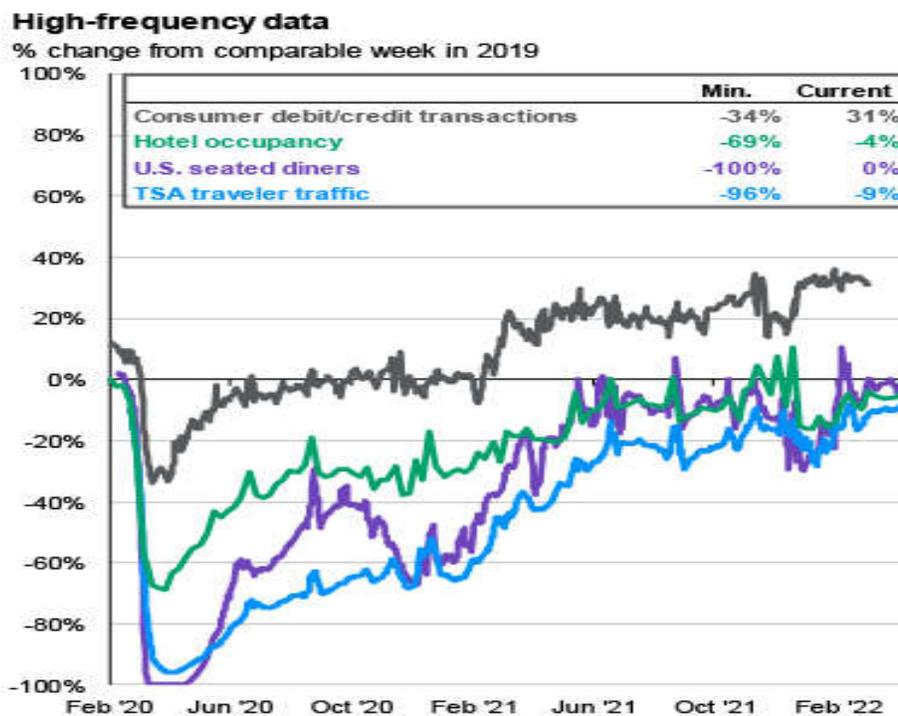
Because of the government stimulus provided to consumers during COVID-19, consumer debt levels are at historic lows.



Source: JP Morgan, Factset

## Service Sector Rebound

Driven by pent up demand, the service sector is rebounding quickly towards 2019 levels and driving economic growth.



The Federal Reserve's efforts to try and fight inflation could possibly lead to a recession. What is clear to us is that the market is already pricing in a high probability that a recession will occur over the next two years. As long-term investors, our clients should not be afraid of market volatility over the short term. This produces only paper losses in portfolios, not real losses. We look forward to periods such as these as they create investment opportunities that will allow our clients to meet their retirement goals over the long-term. We are already seeing opportunities to increase investments in high quality companies that are now significantly cheaper than they were just six months ago. We have cash in client accounts that was kept relatively high for an occasion such as this. We have already begun putting this cash to work in innovative sectors such as biotech that should provide good growth prospects in our portfolios for years to come. We have also identified some other positive opportunities this month that will allow us to continue to put cash to work. These trades will be detailed in our Activity Report which will be sent to clients at the end of the month.

Best regards,



**Curt Gross, CFA**  
Chief Investment Officer

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