Please note: This is a transcription so there may be slight grammatical errors.

Mike Vogelzang:

Midway through 2022, most consumers and investors are licking their wounds, checking their wallets and scratching their heads.

As consumers, we entered the year on an upswing, hoping the worst of the pandemic was behind us. Unfortunately, our optimism was short-lived as rising prices forced us to spend those excess savings on basics like food and gas. The result, a very frustrated consumer. And investors well, the downward trajectory of stock prices from the first quarter accelerated into the second quarter with stocks reaching bear market territory by mid-June.

Bonds, usually safer though more conservative also fell in value. With fixed income benchmarks dropping around 10% from the start of the year. Persistence in high inflation has been the source of this frustration and pessimism. Inflation hit a 40 year high in June. A record not seen since 1981. So what's brought inflation back after a four decade absence?

The answer is supply and demand imbalances on many fronts. Our government's response to COVID included a record setting stimulus program. This left consumers flush with cash just as the manufacturing supply chain faced COVID related shutdowns and labor shortages. Strict zero COVID policies in China brought another round of factory shutdowns and shipping bottlenecks. Then, the Russian invasion of Ukraine turbocharged inflation. Sending oil and food prices skyrocketing as global sanctions against Russia limited exports of food, energy, fertilizers, and other basic inputs.

So now that inflation has proved worse than expected, the Federal Reserve's job one is to bring stability back to prices. No easy task. As we enter the third quarter, we see early signs that the markets are turning away their attention from inflation and towards a potential fed induced recession. So where does all this leave us as investors?

Earlier this year, we faced a great deal of uncertainty. The timing and size of fed actions were undisclosed. The extent of Russia's intentions in Eastern Europe were unclear. And when, or if COVID would shift from a pandemic into a manageable endemic was unknown. Today, we have better clarity on all these risks, even though the financial and humanitarian costs have been high, and markets have reacted negatively. We get it.

Market losses are emotional and difficult. But wise investors understand that the stock market is not the economy. And yet the recent market losses clearly acknowledge current economic risks, including the precarious path the Federal Reserve has ahead. And while the combination of inflation, market losses, and economic risks have left investors and consumers deeply pessimistic, at Captrust, we actually find comfort in all this negativity.

Why? Because investing requires making judgements about the future. And while it may sound counterintuitive, today's low expectations actually increase the potential for future positive outcomes. Sowing the seeds for higher prices over the next few years. We know difficult markets and foul moods may cause you to rethink your financial plans and risk tolerances. However, as you speak with your advisor, remember that a single poor decision made hastily during periods of stress can offset years or even decades of smart ones. Thoughtful investors keep a long term perspective and a diversified well balanced portfolio.