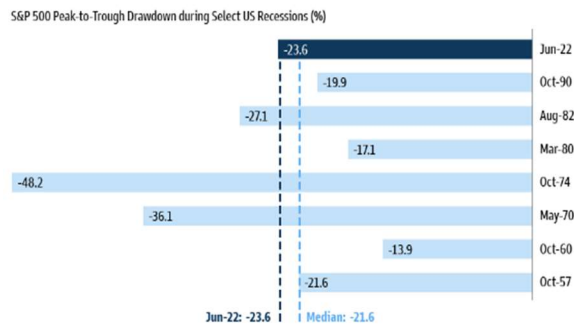


Quarterly Newsletter: *Quarter ending Jun. 2022*

Market Summary: U.S. Stocks posted steep losses in the second quarter. The biggest market drop in the first six months of the year since 1970. For perspective, I was born in '74. Utilities, energy, and consumer-defensive stocks dropped modestly while communication services, technology, and consumer cyclical, showed drastic declines [Morningstar.com]. As of 6/30/2022, the total return of the S&P 500 was a -10.6% for the trailing 1 year...but, +10.6% per year for the last 3 years, +11.3% per year for the last 5 years and +13.0% per year for the last 10-years [BTN Research Equitable by the numbers\$ 7.11.22]. Point to note: Money is earned on the long haul.

Chart of the Week: Historical Bottoms



Source: Goldman Sachs Global Investment Research, Bloomberg, NBER.

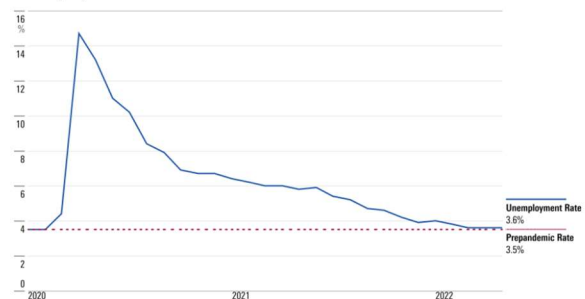
The 24+ trillion dollar [size of the U.S. economy] question... 'has the market bottomed and are we in or nearing a recession'? Markets are fairly priced but risks remain. Last week's employment reading shows continued strength in the labor market. Combined with the June inflation read of 9.1%, the FED is expected to raise interest rates another 0.75% in July and perhaps 0.50% after that. Goldman Sachs projects rates at 3.25-3.50% by year-end.

Second quarter GDP is forecasted to be negative 2.1% based on JPM analyst models. The Atlanta FED calls for an even more pessimistic view. This

would satisfy the classical definition of a recession of 2 consecutive quarters of negative GDP. The chance of a recession in the next 12 months is 44%, up from just 18% in January [Equitable by the number\$ WSJ Economic Survey].

The size of the US economy was \$718 billion in 1965, doubled 9 years later in 1974 to \$1.5 trillion, doubled again 7 years later in 1981 to \$3.1 trillion, then doubled again 10 years later to \$6.0 trillion in 1991. Forward 11 years to 2002, and yes, another doubling to \$11.9 trillion. Lastly, the economy doubled to \$24.4 trillion in 2022 [Equitable by the number\$ Department of Commerce]. Point to note: These doublings occurred in the midst of recessions. Clearly, it's likely to take some time before we get to the next doubling of \$48.8 trillion, but you get the message.

Unemployment Rate



Source: Federal Reserve Economic Database, Bureau of Labor Statistics. Data as of June 2022.

Time to take an international trip, if you don't mind Covid19 variants, high ticket prices, and chaos at the airports. The dollar nears 1:1 with the Euro and remains strong against many other currencies. A strong dollar means we should lean less on emerging market investments as they are more sensitive to weakness. Multinational companies could trend lower as they convert profits back to dollars. Commodities priced in dollars, such as oil and gold, could experience volatility. Gold as an inflation hedge is

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questionable as returns on gold are random and it's difficult to time the ups and downs.

Bonds returns in the second quarter were the worst in market history due to the same factors negatively impacting stocks [high inflation, fears of recession, possibility of default on corporate debt due to higher rates]. Bond funds that own U.S. Treasury Inflation-Protected Securities offer a hedge against rising inflation. However, they aren't immune from the negative effect of rising rates [Katherine Lynch @ Morningstar.com].

Educational Series via Zoom Continues

Every 2nd Thursday of the month at 4PM PST. Replays of past sessions are posted at www.labwealthmanagement.com and click learning center.

July: Extended Care and Long-Term Care Planning, Guest Speaker Susan Carlson, External LTC Wholesaler, Crump Life Ins. Serv.

August: Break – Summer BBQ – 12 & 13TH

September: TBD

Business Up-date

Pictured: Balloons at sunrise preparing for a ride over Teotihuacan Pyramids outside Mexico City – April 2022.



Seattle before sunset on a 90-degree F Summer afternoon. Mt. Rainer is in the background. Bldgs exhibiting PRIDE colors for that weekend in June.

Please join us on Saturday, August 13 [11am – 7pm] for this year's annual summer BBQ at LAB Wealth. Clients and friends are invited. RSVP by calling 925.354.4769. Covid protocol: Mask Required. Stop by to say hello and grab some tasty grub to go.

Thanks for your continued support! Wishing you a happy, healthy, and prosperous year.

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Disclosure

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