Intrinsic Investors

Market Monitor

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April 2022 Takeaways

- *They say that April showers bring May flowers. Well, April certainly rained havoc on equity investors last month as we witnessed one of the worst monthly performance in years.* After a nice rally in March, stocks steadily lost ground in the month just passed, before throwing up on itself on the final trading day.

- *Before we get into the details, I have two points to make.* The first is that without a few bad days in the markets, investors would never know when they had it good. The second is, there is no need to panic. One month does not a year make. Remember, panic is not a strategy…

- *And so let's get into the details.* Wall Street remains beset by concerns over supply chain disruption, enhanced by COVID shutdowns in China, the war in Ukraine (as a contributing factor), inflation, interest rates and fear of recession.

- *Regarding the first three concerns above, the supply chain disruptions will gradually fix themselves if they aren't already, the war in Ukraine will end and China will eventually re-open.* However, they are contributing to ongoing concerns about recession and we all know that markets hate uncertainty. Take a peek at the current reading on recession odds here on the Recession Predictor. The indicator is rising, but is still under 20%.

- *With regards to interest rates and inflation, I've mentioned before that the Fed was late to the party when it came to tamping down inflation and it would have been nice if they started getting rates back to normal earlier.* Going back to 1954, a 3% Fed Funds Rate isn't exactly extreme. As they normalize the fixed income markets through interest rates hikes and tapering, we are hopeful they can nip inflation in the bud.

- *If there is any good news to report in the last month, it is that earnings season is underway and most companies are beating their estimates.* While there have been notable disappointments, most of the damage has been done in high tech growth stocks. Value stocks, not so much. Let's face it, Amazon trading at 38 times earnings isn't exactly cheap. Stay tuned. More next time!