

August 2022 News & Views

- *Equity markets rebounded in July, cancelling the bear rally in June.* The continuing tug of war going on with the equity markets may be stressful and a bit frustrating, but please remember that bear markets are a normal (if unpleasant) occurrence in the typical market cycle.
- *The bullish case for equities continues to center on earnings, which posted double-digit gains year-over-year, suggesting that the bull may be down, but he's not out.* Keep in mind that equity markets are forward looking and give a hint at what might be coming down the road over the next six months or so.
- *That has certainly been the case over the last six months, as equity markets priced in continued inflation and interest rate pressures, resulting in the carnage in equities, especially in tech stocks.* Tech served as the anchor for equities and when it slipped, everything slipped with it.
- *One thing is for certain. Technology isn't going to disappear moving forward.* That said, we still have to deal with shortages in many things, including semiconductors. It may take some time, but it might be a good idea to bring more of that type of production back to the United States.
- *As a matter of fact, the sell-off in growth stocks has triggered a change in our proprietary model – iCore.* We had been playing defense with an over-allocation in value stocks for some time. However, relative valuation levels now support more of a commitment to growth stocks. Why is it that investors consistently refuse to buy stock when they are on sale?
- *Depending on your point of view, you can find arguments to support those views.* There is no shortage of irrational pessimism, which has replaced irrational exuberance as the “cause celebre.” Is inflation a drag on the markets? Of course, but it won't last forever. Are we in a recession? Our predictor still says no, but the risk is rising. Odds now stand at 56% by our measure. At the end of the day, it comes down to attitude – a small thing that can make a big difference. And yes, I borrowed that line from Winston Churchill... The market is catching a break lately. Enjoy the ride and hang in there! More next time.

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