GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

August 2022

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4091.19	-0.95%	8.08%	-14.16%
Dow Jones Industrials	32396.17	-1.37%	5.27%	-10.85%
NASDAQ Composite	12348.76	-0.34%	11.97%	-21.07%

U.S. TREASURIES	YIELD
5-yr Treasury Note	2.84%
10-yr Treasury Bond	2.75%
30-yr Treasury Bond	3.01%

Information as of August 2, 2022 Source: Thomson Reuter's Thomson One

MARKET COMMENT

Signposts

The past two months we discussed the yield curve, its inversion, and how all of this affects the economy and financial markets. Now, we will look at some "signposts" that are frequently used to determine if a recession is indeed imminent, and whether the stock market will complete a bear-market rout (accompanied by substantial negative returns). This year has certainly seen negative returns in both the stock and bond markets, however, previous bear markets bottomed out with losses of 30-80% declines! As it currently stands, 2022 has experienced a low of -22% on the S&P 500 Index. If, in fact, the bottom is in, then this would stand as one of the lightest bear markets on record – although it certainly doesn't feel that way.

Some of you may remember, or have at least read about, the very successful *Burma-Shave Cream* advertisement campaign between the 1920's and 1960's. Burma-Shave was the first successful "brushless" cream product made, and much of its success stemmed from a novel ad using a series of highway road signs that encouraged the reader/viewer to anticipate more information with each additional signpost. This is an excellent example of what successful investors use to spot potential economic recessions, financial market declines, and what the Federal Reserve's next monetary adjustment might be. So, let's look at some of these "signposts."

Recently, we discussed the yield curve and how its inversion can indicate an impending economic recession. In those comments we noted that the 2-year and 10-year treasury notes are firmly inverted with the 2-year treasury yielding more than the 10-year treasury – which is usually a strong signpost of a coming recession. However, based upon our historical research, an even more conclusive and reliable signpost is when the 3-month treasury bill also inverts against the 10-year treasury. If the Federal Reserve decides to raise the federal funds rate another .75 basis points when they meet in August, and the 10-year treasury maintains its current rate of approximately 2.65%, then we will experience an inversion with the 3-month treasury yielding over 3% and the 10-year treasury at 2.65%. This has almost always indicated a coming recession.

Another strong signpost of a coming recession is a steadily increasing unemployment rate. Again, our research has demonstrated that ***rarely*** does a recession occur without an increase in unemployment. The economy is the life blood of the stock market, and usually determines what direction the markets will take in the future. As such, bear markets attempt to anticipate economic contractions (*i.e.* recessions) by focusing on the labor market – which is the life blood of the consumer. The cycle has historically provided reliable insights about impending recessions.

If the stock market is always trying to anticipate what is going to happen 6 - 9 month into the future, what are the current signposts indicating about the future? Using the S&P 500 index as our database, there are a multitude of indicators to sift through to analyze the internals of the market. For instance, the current trend (up, down, or sideways), relative strength (how the equities perform relative to other asset classes), share volume (average, low, high), amount of advancing versus declining stocks (are most thing going up or down), and individual chart patterns (is there a trend within the trend). Space limits our discussion of these many indicators, so we will focus on the individual chart pattern of the S&P 500. What we have witnessed since December of 2021 is a pattern of "lower highs and lower lows." Markets continue to drift lower, followed by a rally that loses steam below the previous high. Until we have a new pattern of "breakouts" into higher prices, followed by a series of higher highs and higher lows, it would seem the chart pattern, and the trend of the broader market, will continue to favor the downside.

We hope our recent series on interest rates, the economy, and the stock market has provided information to become better informed investors. If you have any question, please touch base with us. As always, your trust and confidence in us is greatly valued and appreciated.

PLANNING STRATEGY

Raymond James "Point of View" article. raymondjames.com

Technology makes it easier (and safer) to age in place

Home feels comfortable. Cozy. Happy. No wonder most people want to stay put in retirement.

As people age, however, it's not uncommon to need a little more help in everyday activities. For your peace of mind, and theirs, certain advances in smart tech may help those you love comfortably age in place – safely – and perhaps, just as importantly, independently.

Not only are devices now Wi-Fi-enabled, remotely accessed and schedulable, but many are smart and equipped with artificial intelligence (AI) technology that learns your habits and predicts your preferences. They can sense when something's not right and automatically turn on, off or adjust settings.

From getting groceries to managing medication – and everything in between – here's how intelligent technology (powered with AI) can help with everyday tasks.

Whatcha got cookin'?

Smart refrigerators can be the epicenter of a home – displaying calendars, playing music and showing recipes. And they can do much more. If expiration dates on food become hard to see, these refrigerators can send an alert if the milk goes sour. If you're at the grocery store with your mom but can't remember if she needs eggs, you can ask the fridge from afar. (It knows the contents and can show you a picture!) Couple that with a garbage can that scans barcodes as items are thrown away and automatically adds them to the grocery list. And once the pantry's stocked, a stove that connects to Wi-Fi so family can make sure it's off and an induction cooktop that stays cool to the touch – ideal safety characteristics. Simple but impactful features like automatic lights turning on above the stove when a burner comes on can make life easier, too.

Guiding the way

Flooring that can sense a fall? Sounds too good to be true. A magic carpet, if you will. But there are floor sensors that can be installed under decorative flooring that alert for help in the case of a fall. Fall prevention measures, though, will put your mind at ease even more. Smart lights that sense movement can illuminate a pathway. Lights can brighten depending on the time of day – so they don't blind someone in the middle of the night – or based on other light nearby, and they can even start to learn habits and automatically (no scheduling needed!) come on during those times.

Managing medication – properly

There's facial recognition for something more important than Facebook: medication. A smart drug-dispensing system can dole out medication at precise times throughout the day to ensure diligent adherence to doctor's orders. The complementary caregiver app also asks loved ones questions like "How are you feeling?" and provides reminders for blood sugar tests or blood pressure checks. Caregivers have access to the data, so you can rest easy knowing your loved one is taking care of them self and intervene if necessary. A win for both of you.

Squeaky clean

"It's laundry day" will have a completely different meaning with smart washers and dryers that automate cycles. You can remotely start a load if your loved one fills it, and some machines even store dozens of customized cycles so you don't have to worry about settings each and every time. And we've all heard of robot vacuums (you might even have one roaming your house as we speak), but how about a robot window cleaner? Now that's a chore anyone will gladly give up.

Here's to health

Gone are the days when your neighbor across the street checks that your porch light comes on each night as a signal that you're OK. Now, your loved ones (only a select few, of course) can have access to all your health data and track your vitals throughout the day. There's caregiver technology that operates as a large, easy-to-use touchscreen and can even do video calls for regular face-to-face check-ins. Smart watches can motivate you to stay active throughout the day and even nudge you to stand up from your marathon blogging session. Smart lavatories automatically measure weight and smart toothbrushes allow remote caregivers to monitor your hygiene.

There are some caveats to all this automation, of course. Some of these technologies can feel like big brother is watching, diminishing a sense of privacy even as it increases autonomy. But if it means a loved one can live at home longer and more independently, the tradeoff might be worth it (especially since you can dictate who gets access to what).

Future technological advances might even be more accessible, cost-effective and innovative than they are today. Some surprising innovations coming down the pipeline include a robotic arm that can chop up dinner ingredients, voice-activated controls that can operate from any room and mirrors that analyze skin to monitor health.

Of most importance, talk about your family members' wishes to age in place, especially if you're a potential caregiver. And speak to your advisors about what it takes to help someone grow old at home – the way they envision.

Next steps

Staying in your home (safely) as you age is possible if you make the right preparations. Help your loved one:

- Speak to their advisor about wishes to age in place and create a financial plan that allows for it
- Create a caregiver network with family and friends who can divide tasks you'll need assistance with
- Remain updated with smart and AI technologies that may be able to help

Sources: grandcare.com; my.matterport.com; okpria.com; silvereco.org; healthtechmagazine.net; techhive.com; time.com

LIFE & LEISURE

Raymond James "Point of View" article.   M22 - 4876135

In the 1920's, Hemlines were Thought to Predict the Economy

Hemlines, high heels and lipstick aren't typically what you think about when it comes to economic forecasting. But "indices" based on each exist. That's right, there are certainly some interesting (and fun?) ways economists make market connections and attempt to predict a boom or a bust. (Warning: These should be used for amusement only.)

We can take these fashion-based forecasts with a grain of glitter, er, salt. But these so-called indices can be entertaining to explore.

The hemline index, explained

In 1926, economist George Taylor stated that he could predict the economy based on hemlines. He said when they went short, it meant the economy was in good shape. And if hemlines trended longer, the markets would be headed for a slide.

The funny thing is the hemline theory was "proven." But it actually works opposite from what Taylor thought. In 2010, economists did quantitative data analysis on monthly hemline data from 1921 to 2009 and found that hemlines shift following the economy – by about three to four years. In other words, poor economic times meant hemlines would creep closer to the floor within a few years. And prosperity meant miniskirts would start showing up within that same time frame.

It's quirky and entertaining – but there are lots of problems with using this as a source of truth. Manufacturing isn't as big a proportion of the U.S. economy as 100 years ago and designers don't typically set hemlines anymore. Further, no one cares how short – or long – your hemline is. Wear what you want and feel good doing it.

Other indices

If you're not buying the hemline index (we're not so sure either), try these on for size – for a topic at your next brunch, perhaps, but not to guide your investments. That's what an advisor is for.

Lipstick index: In the recession following 9/11, lipstick sales increased. Women sought an affordable luxury, instead of splurging on expensive clothing and accessories. The lipstick index fell apart during the pandemic, though – because masks.

High heel index: According to research from IBM about a decade ago, an economic downturn meant higher heels. As the height shrinks, so does the possibility for a recession. Kitten heels and ballet flats mean an upswing is on the way.

Real trends

Amusement aside, if you're looking for economic indicators to lend insight into the health of the market, consider indices based on real disposable personal income, producer prices, consumer prices and confidence and employment indicators. Better yet, your advisor can help guide your next move based on your personal financial situation and goals.

Sources: medium.com; forbes.com; huffpost.com; investopedia.com

Quote of the Month: "We really can't forecast all that well, and yet we pretend that we can, but we really can't." - Former Federal Reserve Chairman, Alan Greenspan

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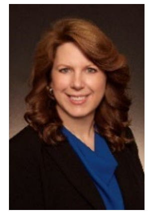

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