GATEWAY
INVESTMENT MANAGEMENT
OF
RAYMOND JAMES®

THE COMMUNIQUE

February 2022

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4589.38	1.64%	-3.71%	-3.71%
Dow Jones Industrials	35629.33	1.42%	-1.95%	-1.95%
NASDAQ Composite	14417.55	1.25%	-7.85%	-7.85%

U.S. TREASURIES	YIELD
5-yr Treasury Note	1.59%
10-yr Treasury Bond	1.77%
30-yr Treasury Bond	2.10%

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

MARKET COMMENT

Love is in the Air

February is the month to celebrate love, yet the global horizon looks anything but lovely. Russia is flexing its military muscles against Ukraine and China continues to thump its chest at Taiwan – while simultaneously smiling at all attending the Winter Olympics. Both countries seem to desire a rebalance of global powers in world. All the while, our domestic stock market decided in late January that the timing was ripe for a correction, which hasn't occurred since March of 2020 (the emergence of the COVID virus). The current pull-back seems to be primarily repricing stocks with high price-to-earnings multiples due to inflation and the coming Federal Reserve interest rate increases, along with a drawdown of the monetary stimulus pumped into the economy during the pandemic. As such, most investors are not feeling an overwhelming sense of "love" after a +5% decline in January. So where do we go from here?

Corrections are a normal consequence to all rising markets and are triggered by a future uncertainty that is not yet synthesized into the market's pricing. Currently, we find many stocks incredibly overvalued due to the excessive financial stimulus enacted by Congress and the loose monetary policy by the Federal Reserve flooding dollars into our economy. Now, with inflation recently jumping to 7%, the Federal Reserve will initiate a removal of this "loose" policy by raising interest rates and withdrawing the abundant accessible cash in the economy. The ultimate test for the Fed, and markets, will be whether they can navigate a "soft landing" for the economy or whether their moves will tailspin us into a recession. The Fed's track record of slowing the economy is spotty at best. So, we are seeing a potential repricing of stocks (especially those that are overvalued) to match the potential future outcome of our economy.

One of the key components to watch is whether the current rising inflation will remain high or eventually moderate as our economy opens up from COVID and the supply chain issues resolve themselves. Of course, there is another challenge to this equation, and it is the U.S. population's employment participation rate – which has declined due to workers not coming back into the workforce due to the virus. It seems we have seen an exiting of older, experienced workers into retirement, and some workers living off their investments/savings, which have done well the past 2-years. If we continue to have constraining employment participation, inflation may stick around for longer due to workers demanding higher wages, and, thus, causing the Fed to use a more aggressive tightening policy.

As always, there are many components which could derail our economy as the Federal Reserve attempts to navigate a soft landing, so the current correction isn't surprising. However, with higher wages, consumers' savings well-stocked, a normalized supply chain, and moderating inflation, we may see a robust economy and a continuation of this bull market if the Fed's policy works as planned. But that's a big "if" that will likely create more volatility in the months ahead.

Thank you for your continued trust, and confidence, it is highly value and much appreciated.

PLANNING STRATEGY

Raymond James "Point of View" article. M21-3424549

Have you hired the Right Tax Accountant?

Not everyone needs a professional in their corner come tax season. For some, tax software might do, perhaps followed by a professional review. But for those contending with master limited partnerships, complicated business structures, income from multiple states, major life transitions or other prickly tax scenarios, a strategic, knowledgeable numbers pro may be valuable when it comes to preparing and filing your personal or business taxes.

Here are a few signs that you've found the right professional and two that may indicate it's time to reevaluate. These aren't hard-and-fast rules, merely guidelines. Don't forget that your advisor likely has relationships with accounting professionals and can let you know what to expect, so tap into that experience if you need to.

1. They have good ideas before you do.

Your accountant should be proactively leading the tax strategy conversation, collaborating closely with your other professional advisors. Just expect those in-depth discussions to happen before or a bit after the hectic 13 or so weeks that comprise tax season. They're only human.

2. The shoe fits.

Your accountant should have experience in your particular situation and be capable of thoroughly researching rarer issues. Invest in private companies? Your accountant should be familiar with K-1s, notoriously tardy reporting documents for partnerships that often demand specific expertise and amendments or extensions beyond normal tax-filing deadlines. Work in a particular industry or run your own business? Dealing with foreign affairs or global investing? Experience is vital in these complex arenas. It helps, too, if your values align with the person who'll know every detail of your financial life.

3. They're in the know.

Your accountant should have their fingers on the pulse and ear to the ground. The laws surrounding personal and business deductions change frequently (see the Tax Cuts and Jobs Act of 2017), so an accountant should be well-versed in ways to help you legally maximize your return (e.g., bunching charitable contributions in order to exceed the $24,000 standard deduction for married couples filing jointly). Expect your accountant to be up to speed on regulatory changes as well as current tax law, and to keep you informed in language you understand.

4. Their reputation precedes them.

You'll likely want to work with someone who has been vetted and recommended by people you know well and trust. Consider an accountant who is part of a professional organization (e.g., the AICPA) with continuing education standards and qualifications or has certifications in the type of service you need.

5. They're accountable for what they say and do.

Your accountant should be responsive, responsible, trustworthy and transparent. He or she doesn't have to be an expert in everything, but should be able to research an issue and get back to you as needed. Prompt, honest communication paired with a proposed solution is what you're looking for. This is a relationship that should last, so it's important to build on a strong foundation.

Proceed with caution if:

They have their head in the sand.
They do not have secure systems in place to keep the practice going in case of emergency or to protect your private information.

They're an artful dodger.
If you're working with an accountant who suggests something that sounds more like dodging taxes rather than minimizing them, look elsewhere. You don't want to be on the wrong side of the law or the ledger.

Sources: inc.com; entrepreneur.com; investopedia.com; irs.gov; accountingweb.co.uk

LIFE & LEISURE

Raymond James "Point of View" article. M22-4098458

Keeping Data-Collectors at Bay

The machines are always watching. It's not intrusive and it's almost never monitored by a person. Sometimes it's convenient and many are unbothered by it, but it's everywhere. For example: Smartphones are constantly tracking our locations; nearly everything you look at on the internet – shopping, news stories, social media – is saved, cross-referenced and shared; data collected by your fitness tracker could be used to infer facts about your health and private habits; and ever-present cameras are seemingly on every corner. Some convenience store fridges even track your eyes.

Realistically, perfect privacy isn't possible unless you live off the grid, but even then there are limits. There are things you can do, however, to lessen your exposure without having to completely withdraw from the modern world.

Digital privacy starts with data security

It bears repeating: Locking down your accounts is the most important thing you can do to keep your information away from prying eyes, preserving your privacy and your financial security. By using complex passwords and changing them regularly, you guard against targeted attacks and limit your exposure to broader attacks against data collectors. Security experts recommend you use a password manager to keep this from becoming a chore. If you must write down passwords, keep them safe, not in the drawer next to your computer.

You should also turn on multifactor authentication for all your accounts, where possible. That makes logging in require two or more forms of identification, like a code sent via text or email message, in addition to your username and password.

Be mindful, and willing to buy

The business model for most free services on the internet involves the collecting and selling of user information. Consider shifting your email to a paid provider. You can also switch to a web search engine whose ideas about your personal privacy align with yours.

Trim your apps

Privacy activists recommend using companies' websites instead of their apps on your mobile device to avoid giving away more personal information than you would prefer. Fortunately, most new smartphones will now ask if you want a certain app to have access to things like your contact list, the microphone and the camera.

Oatmeal raisin, shortbread or tracking?

You may have noticed that websites are now regularly asking you about your cookie preferences. Clearly, this isn't about chocolate chips.

A cookie is a small file downloaded to your device that acts like a personal ID card. In some cases, it is used to remember the items in your shopping cart or whether you prefer to stay logged in. Cookies create a more convenient and streamlined web experience.

While a cookie can only be read by the website that created it, things like ads, social media commenting and other parts of the page are usually hosted on other sites than the page you are visiting, and they all may be collecting information from you.

Note: The European Union's agenda-setting strength has allowed two laws, the General Data Protection Regulation and the 2002 ePrivacy Directive, to cross overseas. The regulations have no jurisdiction in the U.S., but many companies are finding it better to avoid the liability of assuming their users' locations.

Some cookies are essential for the web to work in the ways we've become accustomed. Others are only used to track you. Though it can be a nuisance every time you visit a new website, you should adjust the settings to match your privacy expectations. To have those protections, you must opt out of being tracked.

Sources: The New York Times; Vox; The Washington Post; Fast Company; Massachusetts Institute of Technology; Consumer Reports; NPR; Goldman Sachs; ZDNet.com

Quote of the Month: "You know you are in love when you can't fall asleep because reality is finally better than your dreams."

— Dr. Seuss

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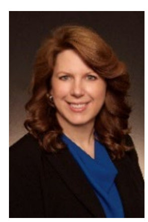

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