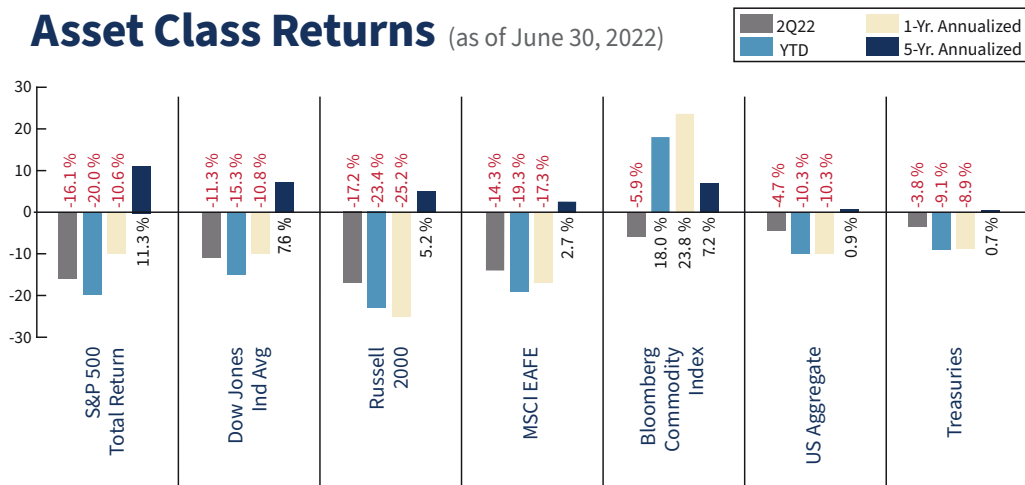




“The truth is that you always know the right thing to do. The tough part is doing it.”

– General Norman Schwarzkopf

Asset Class Returns (as of June 30, 2022)



Material prepared by Raymond James for use by its Financial Advisors

Market & Economic Synopsis

- The Federal Open Market Committee (i.e., “the Fed”) raised rates by 75 basis points (0.75 percentage point) in their June meeting. This was not unexpected, but was the largest single hike since 1994.
- In May, the Consumer Price Index reported an 8.6% increase from last year — an increase not seen since 1981.
- Oil prices surged above \$100 a barrel throughout the first half of the year causing U.S. gasoline prices to hit record highs.
- The U.S. dollar remains strong thereby affecting earnings for some U.S. companies. For example, Microsoft cut its earnings expectations in June citing foreign exchange rates.
- The bond market has seen its worst first half of the year in 40 years with notable increases in yields of the 2-year and 10-year Treasury. Generally, when interest rates rise, fixed-income prices fall.
- The labor market remains tight with the unemployment rate around 3.6% and roughly 11 million available jobs.
- Russia’s war in Ukraine is expected to negatively affect Europe’s economy more than the U.S. economy.
- China’s zero-tolerance COVID policy and lockdowns loosened, but remain in effect, dampening global economic outlook for this year.

Market Update

The first half of 2022, which kicked off with the Winter Olympics, has been far from a “gold medal” for the financial markets. We had hoped this year would continue to bring a ‘back-to-normal’ feel with the easing of pandemic conditions and conclusion of unprecedented monetary and fiscal stimulus. Instead, a three-headed monster of rising rates, stubbornly high inflation, and Russia’s war in Ukraine reared its ugly head and put the economy in a bear market. The S&P 500 is down about 20% year-to-date as we begin the second half of the year.

A Fed Fairytale – “Transitory Inflation”

The Federal Reserve finally retired the word *transitory* after dismissing the inflationary pressures for far too long in our opinion. To reduce demand and restore price stability, the Fed began raising short-term interest rates earlier this year. You may have heard the Fed’s effort referred to as ‘engineering a soft landing’ — in other words, slow economic growth to reduce inflation without sending the economy into a recession. If history is any indication, the Fed has a difficult task ahead. If we look at their historical track record during hiking cycles, the Fed has only been able to achieve a soft landing three out of eleven times since 1965 (1965, 1984, and 1994). A .273 average might get you some All-Star votes in Major League Baseball, but when it comes to keeping the U.S. economy strong, that stat is not going to instill much confidence with investors.

The Global Storm – Russia & China

We are now in the fifth month of Russia’s invasion of Ukraine with most of the fighting in the eastern Donbas region. It appears this is going to be a long, drawn-out war as NATO countries remain unified in their support of Ukraine’s forces. On the other side, Russia’s war machine is being supported by Europe’s energy dependence. Estimates say European countries pay Russia \$20–\$30 billion every month for oil and natural gas. Just like the economic sanctions against Russia by the West, Europe’s goal for energy security is a long-term goal — a marathon, not a sprint.

One of the more surprising and unexpected headwinds for the economy was Beijing’s commitment to a zero-tolerance COVID policy at the start of the year. The lockdowns, which put millions out of work and turned entire cities desolate, disrupted global supply chains and drastically slowed economic growth. As China methodically eases restrictions to jumpstart its economy, concern of future lockdowns and financial peril persist.

The Bull Case but No Longer a Tide That Lifts All Boats

All indications point to a strong consumer who is flush with cash. Wage increases, historically low unemployment, and excess savings during the pandemic all contributed to a healthy consumer balance sheet. Even with inflation at record highs, consumer demand and spending showed little signs of easing as the summer began.

Labor Market Still Showing Signs Of Strength

In addition to job openings near a record high, the US economy has consistently strong job growth. In fact, it has added nearly 2.4 million jobs on a year-to-date basis.



Source: FactSet as of 6/30/2022

Recently, mortgage applications and new home sales have decreased, indicating a potential demand slowdown in some rate-sensitive sectors of the economy. Corporate balance sheets appeared strong as we continued to see corporate buybacks and dividend increases throughout the first half of the year. With earnings season coming up, a true test for the stock market is in store. Equity valuations have pulled back to pre-Covid levels, which for some investors, may be attractive. But buyer beware: as interest rates rise, the attractiveness of equities compared to bonds decreases. The 10-year Treasury is now yielding more than the S&P dividend yield.

S&P 500 Price-to-Earnings Ratio

Valuations have pulled back to more reasonable levels, as markets have priced in plenty of negative news. The P/E is now discounted back to about its 20-year average, after reaching highs not seen since the dotcom bubble.



Source: FactSet as of 6/21/22

Uncertainty and volatility seem like they will be prevailing themes throughout 2022, but moderate economic growth is still expected. For investors, there have been few places to hide in 2022, except commodities which earned the “gold medal” for the first half of the year, returning roughly 18%.

Around the Office

Advisor Texting

We would like to remind you that Advisor Texting is available for business-related correspondence. The application uses a virtual phone number for an Advisor that is distinct from our personal cell phone numbers. This allows personal and business-related text messages to remain separate. The virtual number for an Advisor can only be used for text messages; it cannot be used for phone calls. This communication works well for reminders and meeting confirmations from your Advisor. Please contact us if you would like to hear more about this additional communication option. You can also find additional information by visiting www.raymondjames.com/advisor-texting.

Meet Our 4-Legged Family

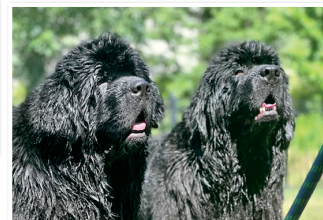
Family means a lot to us and the statement “family comes first” is expressed frequently within our team. We each have a family member that is always there to greet us when we walk in the door. Their licks, tail wags, and no sense of personal space provide an emotional well-being we each cherish. Their loyalty and unconditional love are consistently available on the good, bad, long, sunny, and cloudy days with no exceptions.

Please meet our pups:

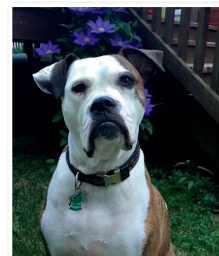


Mac & Quinn
Quinn is an 18-month-old Sable Shepherd.

Tadd has two Newfoundlands.
Ace (left) is 3 and Niles (right) is 5.
Each weighs 150 lbs!



Lukas and his
6-year-old
French Bulldog, Wilbur.



Margaret has Bailey,
who is a 10-year-old
American Bulldog.

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The DJIA index covers 30 major NYSE industrial companies. The NASDAQ represents 4500 stocks traded over the counter. The S&P 500 is a broad-based measurement of performance of 500 widely-held common stocks. The Barclays Aggregate Bond Index is a diversified index measuring approximately 6,000 investment grade, fixed-rate taxable securities. The Bloomberg Commodity Index is a diversified benchmark for the commodity futures market. The MSCI EAFE index is designed to measure the equity market performance of developed markets excluding the U.S. & Canada. The Barclays Municipal Bond Index is a measure of the long-term tax-exempt bond market with securities of investment grade. The Citigroup Broad Investment Grade Bond Index is market capitalization weighted and designed to track the performance of U.S. dollar-denominated bonds issued in the U.S. investment-grade bond market.

International investing involves additional risks such as currency fluctuations, differing financial and accounting standards, and possible political and economic instability. Also, investing in emerging markets can be riskier than investing in well-established foreign markets. There is no assurance any of the trends mentioned will continue in the future. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

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