



INCISIVE INVESTOR

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WEEK IN REVIEW STOCKS EXTEND WEEKLY LOSSES

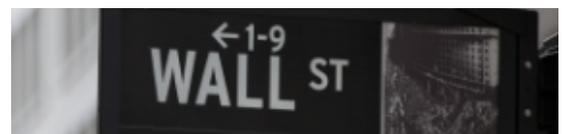


U.S. stocks ended sharply higher Friday, but all three major benchmark still booked another week of losses, as investors assessed the scope for further downside and the Federal Reserve's ability to get inflation under control without sending the economy into a tailspin.

The Dow Jones Industrial Average fell for a seventh straight week, its longest losing streak since July 2001, according to Dow Jones Market Data.

The Dow Jones Industrial Average DJIA rose 466.36 points, or 1.5%, to close at 32,196.66. The S&P 500 SPX climbed 93.81 points, or 2.4%, to finish at 4,023.89. The Nasdaq Composite COMP jumped 434.04 points, or 3.8%, to end at 11,805, booking its biggest daily percentage gain since Nov. 4, 2020, according to Dow Jones Market Data.

For the week, the Dow fell 2.1%, the S&P 500 slid 2.4% and the Nasdaq dropped 2.8%. The S&P 500 dropped for a sixth straight week, its worst losing streak since June 2011, according to Dow Jones Market Data. The Nasdaq Composite also declined for a sixth consecutive week, booking its longest losing streak since November 2012.



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MACRO NEWS

Cryptocurrencies take a big hit

Cryptocurrency prices are plummeting, raising concerns about financial stability. Given the opacity of the currencies, the high degree of leverage associated with them, the lack of regulation over them as well as the lack of a defined jurisdiction under which they fall (the lack of a definition of jurisdiction makes it highly unlikely that a lender of last resort would come to the rescue in case of a black swan event), it is particularly difficult to determine whether they represent a systemic risk. One of the larger crypto exchanges revealed this week that, in the event of bankruptcy, clients could become unsecured creditors of the broker since funds are not kept separate from the firms, as is the case with a securities brokerage account. This contributed to the decline in prices.

In its Financial Stability Report this week, the US Federal Reserve warned that stablecoins could become illiquid or lose value in times of stress. It proved prophetic on Wednesday as TerraUSD, a token intended to trade at a constant \$1, fell to \$0.30 the same day US Secretary of the Treasury Janet Yellen's call for Congress to regulate cryptocurrencies. Another stablecoin, Tether, also broke the buck on Thursday.

Inflation worries

US consumer prices rose 8.3% year over year in April, holding close to a four-decade high amid price pressures in the services sector. As equity prices continued to fall sharply this week, investors' concerns over economic growth were more prominent. The Fed is expected to tighten monetary policy aggressively through at least the end of 2022. As a result, investors are increasingly concerned that the rapid liquidity drain will tip the economy into recession before long. The worries arrive as investors are still coming to grips with a major shift in economic conditions: From a low-inflation, low-rate, negative real yield to a high-inflation, higher-rate, positive real yield. For richly valued growth stocks, this environment is especially challenging.

The Fed changed its policy mix after the financial crisis as a response to market pressure - the so-called "Fed put." However, these actions happened during a low-inflation period. Since inflation is at a forty-year high, the Fed put is likely deeply out of money. Despite this, it's important to remember that consumer and corporate balance sheets are still strong, inflation is expected to moderate as supply chains untangle and reorient, and labor markets remain tight in developed markets, suggesting fewer layoffs than usual in the event of a slowdown, and valuations have moderated a bit as well.



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HEADLINERS

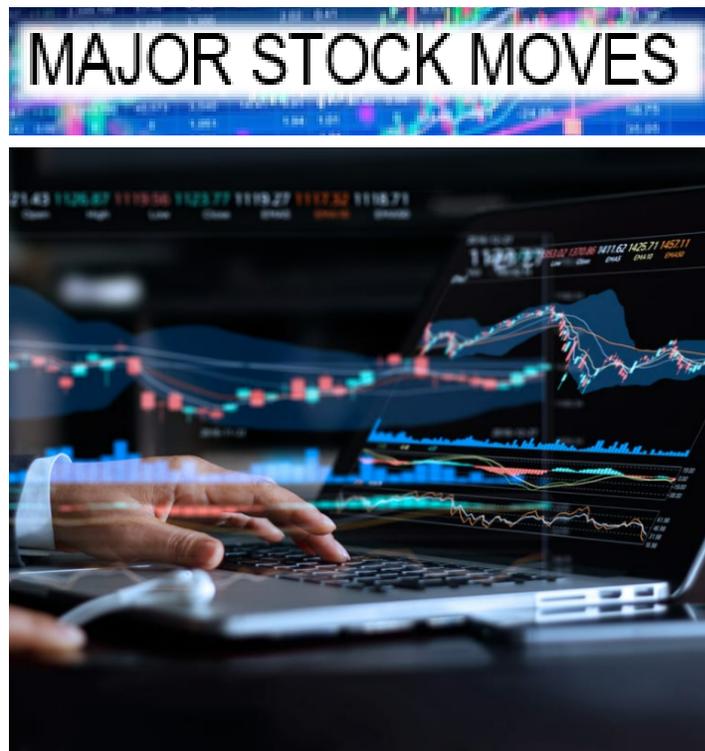
In the June and July FOMC meetings, Jerome Powell reiterated that 50-basis-point rate increases will be appropriate if the economy performs about as expected. Additionally, he said 75-basis-point hikes are not under consideration, but the Fed will do more if necessary. The central bank has set its sights on a soft landing, but Powell observed that it will be quite challenging.

According to one estimate, \$35 trillion in global market value has been erased since the start of the year, corresponding to about 14% of global wealth.

US weekly jobless claims rose slightly while continuing claims reached a new 52-year low of 1,343,000.

Jerome Powell has been confirmed for a second term as Fed chair by the US Senate. The central bank's Board of Governors confirmed Lisa Cook and Phillip Jefferson as members. One vacancy remains on the seven-member board. Former Treasury official Michael Barr awaits a confirmation hearing. He was nominated by Joe Biden last month.

Small business owners continue to be concerned about inflation, according to a report by the National Federation of Independent Businesses. Rising prices are the biggest problem for 32 percent of owners, the largest share since 1980.



Twitter Inc. TWTR shares dropped 9.7% after Elon Musk tweeted that the deal to buy the social-media company was “temporarily on hold.” Musk, the chief executive of electric vehicle maker Tesla Inc. TSLA said the hold on the deal is “pending details supporting calculation that spam/fake accounts do indeed represent less than 5% of users.” In a subsequent tweet, Musk said he was “Still committed to the acquisition.” Tesla shares climbed 5.7%.

Shares of Robinhood Markets Inc. HOOD jumped 24.9% after a filing late Thursday revealed that Sam Bankman-Fried, the chief executive of cryptocurrency exchange FTX Trading, had taken a 7.6% stake in the popular trading platform.



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What's My 2022 Tax Bracket?

Knowing your tax bracket can make a large difference in your tax preparations. Check out [this handy reference of updated ranges from the IRS](#) in case your designated bracket has changed.



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Do you have questions about your finances, the market, or the economy?

Park 10 Financial has the knowledge and expertise to answer all of your concerns.

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