



# Weekly Commentary

May 9, 2022

## THE MARKETS

There is a lot of uncertainty in financial markets – and markets hate uncertainty.

In recent weeks, economic and financial market data have been telling different stories – and that makes it tough for investors to know where the United States economy is headed. Since stock markets move up and down based on what investors think will happen in the future, markets have been volatile. Here are some of the issues that have contributed to recent uncertainty.

- Is economic growth slowing? At the end of April, the advance estimate for gross domestic product (GDP), which is a measure of economic growth, showed the U.S. economy contracted (-1.4 percent, annualized) during the first quarter of 2022. It was a puzzling piece of information because consumer spending, which accounts for more than two-thirds of economic activity rose by 2.7 percent during the period – after being adjusted for inflation – which suggests the economy is strong. A discrepancy between imports (up) and exports (down) appeared to be the driver behind the decline in GDP. A contraction can be a sign that the economy is weakening.
- Is economic growth continuing? Right now, workers are in demand, which can be a sign of economic growth. Last week’s unemployment report showed stronger-than-expected jobs growth in April. The unemployment rate was 3.6 percent, and average hourly earnings rose by 5.5 percent, annualized. However, the labor force participation rate – the percentage of people who

are working or actively looking for work – ticked lower. This could be due to the latest wave of COVID-19, reported Patti Domm of *CNBC*.

- Will the Federal Reserve make a mistake? The U.S. economy recovered from the pandemic quicker than expected. One consequence was that high demand and limited supply pushed prices higher. Then inflation was exacerbated by the Russia-Ukraine war and China’s COVID-19-related lockdowns, reported Jack Denton and Jacob Sonenshine of *Barron’s*.

Last week, the Fed continued its fight against inflation by raising the fed-funds target rate by 0.50 percent. On Wednesday, investors welcomed the move and U.S. stock indices moved higher. On Thursday, they changed their minds and markets dropped lower. “US stocks appear to be on a permanent rollercoaster ride as investors debate continued signs of a strong economy alongside rising rates,” stated a source cited by *Barron’s*.

Bond yields have risen along with interest rates. At the end of last week, the 2-year U.S. Treasury note yielded 2.72 percent and the benchmark 10-year U.S. Treasury yielded more than 3 percent. Higher bond yields are likely to affect stock markets, too, as investors can now find opportunities to invest for income with less risk.

Last week, major U.S. stocks indices moved lower. The Nasdaq Composite Index is in bear market territory (down 20 percent or more), and the Standard & Poor’s 500 Index is down 14 percent year-to-date with almost half of the stocks in the Index down 20 percent or more, reported Ben Levisohn of *Barron’s*.



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Data as of 5/6/22	1 WEEK	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Standard & Poor's 500 Index	-0.2%	-13.5%	-1.9%	12.0%	11.4%	11.7%
Dow Jones Global ex-U.S. Index	-3.1	-15.3	-16.0	1.4	1.7	2.8
10-year Treasury Note (yield only)	3.1	N/A	1.6	2.5	2.4	1.9
Gold (per ounce)	-1.5	3.4	3.8	13.7	8.9	1.6
Bloomberg Commodity Index	0.7	31.4	40.4	17.9	9.6	-0.5

Notes: S&P 500, DJ Global ex US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

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## ARE YOU LIVING THE AMERICAN DREAM?

In a late March survey, conducted by an accounting technology firm, small business owners were asked if they were living the American Dream. Two-out-of-three small business owners said they were, although they thought the “American Dream” was changing. Small business owners said their American dream includes:

- Being self-made,
- Owning a business,
- Being financially comfortable, and
- Providing for their families.

They also want to:

- Provide for the future,
- Pay off a mortgage,
- Push for good causes,
- Give employees health and retirement benefits, and
- Pay employees higher wages.

According to the IRS Small Business and Self-Employed Division, there are 57 million small business owners and self-employed taxpayers that have businesses with less than \$10 million in assets.<sup>9</sup> Over the past 25 years, small businesses have accounted for two of every three jobs created in the United States, reported the Small Business Administration.

If you’re a small business owner and you would like some help with spending, saving, tax, or retirement strategies, let us know. We’re happy to help.



## WEEKLY FOCUS - THINK ABOUT IT

“There are no forms in nature.

Nature is a vast, chaotic collection

of shapes. You as an artist create

configurations out of chaos. You

make a formal statement where

there was none to

begin with. All art

is a combination of

an external event and

an internal event...I

make a photograph to

give you the equivalent

of what I felt.

Equivalent is still the best word.”

—Ansel Adams, photographer



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and More

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added. Michael A. Poland, CFA® – Financial Advisor and Portfolio Manager. Mike is a Chartered Financial Analyst with a BA from Michigan State University and an MBA from the University of St. Thomas, in St. Paul, Minnesota. Mike has been in the financial service industry since 1989. Mike’s prior experience was with PaineWebber, Merrill Lynch and Rehrmann Financial. Mike is a member of the CFA Society of West Michigan, and has served on the boards of The Builders Exchange of Grand Rapids and West Michigan, Mona Shores Education Foundation, and the West Michigan Symphony Orchestra. Mike lives in Norton Shores with his wife and three children.

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\* To unsubscribe from the “Weekly Commentary” please reply to this e-mail with “Unsubscribe” in the subject line, or write us at Braeburn Wealth Management, 111 W. Western Avenue, Muskegon, MI 49442

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