

MARKET WATCH UPDATE

Market Index	Close	Week	Y-T-D
DJIA	33,761.05	+2.92%	-7.09%
NASDAQ	13,047.19	+3.08%	-16.60%
MSCI-EAFE	1,970.07	+2.39%	-15.67%
S&P 500	4,280.15	+3.26%	-10.20%

TODAY'S TOPICS

- Market Update
- Final Behavioral Finance Topic
- Key Market Levels
- What we are Watching
- Investing in Innovation - Do not miss this Zoom Event!

MARKET UPDATE

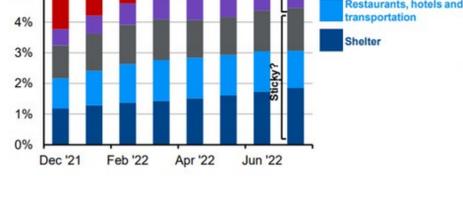
Equity markets applauded last week's CPI inflation report where July inflation came in below expectations for the first time since I can remember. The inflation data wasn't "good" by any means, but rather "less bad", which can be all the forward-looking markets need sometimes to get things going.

Last week's 3% rise in the S&P 500 has now pushed the index to 16% above its June 16th low, and only 11% below its all-time high reached on January 3rd of this year.

Headline CPI was unchanged month-over-month, whereas the year-over-year figure cooled to 8.5% from 9.1% in June. **The decline in energy prices was a key driver of the downward surprise**, falling by 4.6% from a month prior. Still a lot of work to be done here though.

Contributors to headline inflation

Contribution to yly % change in CPI, non seasonally adjusted



According to LPL's Research team, "After this (market) rebound, the key question investors are asking is whether this is a bear market rally that will soon fizzle or the start of a new bull market. There's too much uncertainty to have a high conviction view right now, but we do believe the odds have risen that a new bull market has begun". The team argues that for the markets to keep moving higher from here will "depend on the market gaining more confidence that the inflation battle will be won, setting the economy up for a soft landing as the Federal Reserve (Fed) slows its pace of rate hikes." – 8/15/22

One month of slightly better than expected inflation data is not enough to say the worst is behind us. For example, we had an inflation "fake out" a few months ago. Instead we'll want to see a couple more months of improving inflation data before we can more comfortably say we've made decent progress on inflation. A week from this Friday on August 26th, the PCE inflation report will be released where we'll want to see an improve there as well.

The S&P has reclaimed 50% of the bear market drop!

Interesting note and market stat from LPL - To better assess whether a new bull market has begun, we can look at some technical analysis signals that have historically been effective in identifying major market reversals. One is the 50% retracement level. The S&P 500 Index closed above it on Friday as shown in Figure 1 below. **In all bear markets since WWII, when the index has risen above that retracement level, it has been the start the next bull market rather than a bear market rally which eventually fell to new lows (thanks to our friend Sam Stovall at CFRA for this great insight).**

(Source: LPL Financial 8-15-22)



Source: LPL Research, Bloomberg 08/11/22
Indices are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.
The 50% retracement level is the midpoint between the 2022 high on 01/03/22 and low on 06/16/22.

WHAT WE ARE WATCHING



The following economic data is slated to be released during the week ahead:

Monday: NAHB home builders' index (Aug.)

Tuesday: Building permits (July), Housing starts (July), Industrial production (July)

Wednesday: Retail sales (July), FOMC Minutes

Thursday: Existing home sales (July), Leading economic indicators (July)

Friday: --

BEHAVIORAL TOPIC OF THE WEEK

There are six emotional biases:

1. Loss aversion.
2. Overconfidence.
3. Self-control.
4. Status quo.
5. Endowment.
6. **Regret-aversion.**

Regret-aversion bias is an emotional bias in which investors avoid making judgments for fear of making a bad decision. It has two dimensions: Actions taken by people and actions that people ought to have taken.



Effect of Regret-aversion Bias:

- Investors embrace the herding mentality. This entails investing in ventures that are popular, i.e., those that many market players invest in. The motivation behind the herd mentality is often a result of poor prior results on hazardous investments.
- To avoid future regret, investors may opt to invest in low-risk ventures. In the long run, this causes such investors to underperform the benchmark and fail to beat investment targets.

How to Detect and Overcome Regret-aversion Bias:

Investors should weigh the benefits of diversification and asset allocation regarding risk reduction and return enhancement.

(Source: CFA Institute, AnalystPrep)

MARKET SUPPORT



The key level of resistance to watch for the S&P 500 is at around **4,328**.

Recall these are key technical levels we look for the market to either hold or push through when look at the potential for future moves. Common support levels can be the 50- and 200-day moving averages as well as other technical levels such as previous market highs or lows.

in³ = Investing in Innovation



Topic: Advances in technology and how they impact our lives today:

1. Data & Economics
2. Transportation
3. FinTech
4. Biotech & Genomics

Date: Thursday, August 18th

Time: 5-6pm MT

Location: Zoom

Host: Bradley J. Warden - Managing Director, Senior Portfolio Manager
Macquarie / Delaware Funds (Formerly Ivy Investments)

RSVP: No need!

Click this link to join in:

<http://us06web.zoom.us/j/87945714868>

Upcoming Events

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