

January 2022



Dear Client,

We rode into 2022 with a wave of surging covid cases and major stock market indices near all-time highs. The S&P 500 Index posted gains of 28.71%\* for 2021 and a ten-year average annual return of 16.52%\* as of 12/31/2021.

The good news is that in some parts of the country cases of Omicron have peaked or are peaking and we may be soon riding the wave down in covid cases. As I write this, I am working from home isolating with COVID. I am thankful that I have dodged the alpha and delta variants, as the omicron reportedly seems to be milder than the others. Other good news on this front, is that our country has adapted to working in different ways. Myself, using the phone or Zoom to keep my clients safe.

The economic themes that have emerged for 2022 that we are watching closely include rising inflation, rising interest rates and volatility in the markets. Inflation has risen at a faster pace than we have seen in decades brought on by a number of factors: supply chain issues, labor shortages, increased demand for goods and too many dollars chasing too few good and services- just to name a few.

Inflation is a concern for all of us as our dollars are stretched further. The Federal Reserve Board (The Fed) has a mandate to keep inflation in check. Some argue that the soft policies of the Fed over the past decade, including keeping interest rates very low and continuing with the Quantitative Easing program (buying bonds from the open market and pumping money into the economy) has fueled inflation pressures. The Fed has indicated that it will be increasing rates this year and has implemented a plan to taper the buying of bonds, reducing the dollars it is pumping into the economy. The impact of these policies by The Fed will be rising interest rates which will create some volatility in bond markets, driving bond prices down. The good news is that The Fed is addressing inflation. We continue to monitor bond portfolios, bond managers, the bond maturities and durations for volatility while evaluating overall portfolio risk.

The stock market and economic wave we rode up at the end of the year was a celebration of sorts that President Biden's Build Back Better Plan did not pass. The market's seemed to respond positively as a result. However, the tides have since turned and the markets are adjusting. The NASDAQ Index has hit correction territory ( a decline of 10% or more.) The NASDAQ is an exchange that has over 3,000 stocks largely concentrated in the technology sector. The NASDAQ index holdings are weighted by the size of the company so the top 10 stocks by company size are so large that they account for about one third of its performance. Some of these stocks have seen significant gains in the past few years and may be due for a price adjustment. Volatility is expected in the stock market.

As we look forward for what to expect in the markets and the economy in 2022, we want to invite you to a special webinar we will be holding on February 1<sup>st</sup> at 12:00 pm or at 5:30 pm for an Economic and Market Update with a keynote speaker from SEI Investments. We hope you can join us. A separate email invitation from me will follow.

We continue to believe that portfolio diversification is key to riding through the waves of volatility in the various markets. We have crafted individual, diversified portfolios based on your needs for income, distributions and risk tolerance. Together have weathered short-term volatility before keeping a long-term focus in mind. We will be reaching out to you to review your portfolio, income and distribution needs. If your situation or circumstances have changed, please reach out to Wendy or me to schedule a review.

Sincerely,

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References to markets, asset classes, and sectors are generally regarding the corresponding market index. Indexes are unmanaged statistical composites and cannot be invested into directly. Index performance is not indicative of the performance of any investment and do not reflect fees, expenses, or sales charges. All performance referenced is historical and is no guarantee of future results.

All data is provided as of January 20, 2021.

Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services. Pedicord Wealth Management LLC doesn't provide research on individual equities.

All index data from Morningstar as of December 31, 2021.

Investment advice offered through Pedicord Wealth Management, LLC, a registered investment advisor in the State of California (Department of Financial Protection & Innovation). Dawn Pedicord is an Investment Advisor Representative of Pedicord Wealth Management, LLC.