**July, 2022**

**Market Summary**

The stock market bounce in March was short lived as stock indexes sold off for most of the second quarter of the year on continuing themes of inflation and recession concerns.  The price of stocks in the Standard and Poor’s Index of the 500 largest U.S. companies currently stands at 20 times earnings. The historical average price over the last 100 years has been around 15 times earnings.  This multiple has come down from the lofty 30 times earnings of 2021 and some say that today’s market is “fairly valued” based upon current multiples.  The big question now is whether current earnings estimates are accurate or if they will need to be revised downward later this year should the economic downturn continue.  It is likely, in my opinion, that the second quarter Gross Domestic Product or GDP will produce another negative number.  Since first quarter growth was also negative, this will define a recession by some measures.  Whether the economic slowdown will be sufficient to dampen inflation enough to halt the continuation of Federal Reserve interest rate hikes is a question no one seems to have the answer to just yet.  Virtually all markets and sectors have sold off on recession fears.  Investments are on sale versus pricing six or even three months ago.  Caution is still warranted, but it may be wise to begin deploying cash currently on the sidelines.

On the fixed income side, interest rates on short-term treasury bills have risen this year.  Stretching for higher interest with lower quality bonds carries risk.  The spread between treasury and junk bond yields has widened, suggesting that the high yield market is feeling the stress of an economic slowdown.  Companies with high debt and weak balance sheets were propped up in 2020 and 2021 through government programs (Stimulus checks, PPP, American Recovery Act, et. al.).  That support may not be there this time and we may see an increase in bond defaults and bankruptcies.  I expect that companies with solid balance sheets and cash on hand will expand their market share.

**We welcome your call if you would like to discuss your portfolio, financial plan, or the markets, in general.**

**Thank you for your business.**

**Sincerely,**

**Joe Tomkiewicz MS, CFPr**

**President**

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**Michael Tomkiewicz MA**

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