

**Is The U.S. Headed for a Recession?**

*Presented by Christopher Phelps*

I hope you are doing well as we head into the summer months. There is a lot to look forward to but there are many concerns on people’s minds as well. When will inflation subside? How far will the Federal Reserve Bank have to raise interest rates and how will that impact my home’s value? Are the supply chain issues going to be fixed soon? What impact will the war in eastern Europe have on the markets?

Depending on who you talk to, the answers to these questions range in all directions. The reality is that all we can do is look the past for hints as to how the future may unfold. “History doesn’t repeat itself, but it sure does rhyme” is a quote famously attributed in various forms to Mark Twain. It is apropos here in that we have unique events (i.e., Covid recovery, supply chain shock, massive Federal Reserve money printing, war in eastern Europe) while rare, but similar in their effects to past events. We have been through many wars, Federal Reserve bank tightening’s, medical scares, and supply shortages. The one common thread, however, is that it has been at least a generation since we last experienced in a significant way any one of these events, let alone all of them at one time.

The result is uncertainty about the future and for some, panic. Volatility is always present in the financial markets. Without it, we would not have the opportunity for reasonable (and potentially outsized) returns. Nevertheless, a reality you can count on is that when uncertainty reigns, volatility rises.

I do not think it can be denied that we are in the final three innings of the game (i.e., to use a baseball analogy) as far as this economic expansion goes. The question is where in those three innings are we? If, as I do you consider the economic shutdown in April 2020 an anomaly, we have not had an official recession since 2008. That is historically, an extraordinarily long expansion for the U.S. As I laid out in my previous email letter, there are a number of reasons to believe that this economy will continue to grow over the next 9-12 months and that the financial markets will reflect that.

I have attached a piece by Kezia Samuel who is the Vice President of Client Portfolio Management at AssetMark. In that piece, Kezia makes the case that there is reason to believe that this economy is sustainable and that a recession in the near term while possible, is unlikely. At the end of this article Kezia makes the point that I have made many times over. It is important to create a plan for your portfolio to withstand a range of environments. Funds you will need in the near term should be positioned conservatively, so longer-term oriented investment funds can be invested commensurate with your goals and risk profile.

I am always available to you via phone, zoom conference or in person. I look forward to talking with you over the next few weeks. If you have any questions or if we can be of any help, please do not hesitate to contact Linda or me.

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