Weekly Market Commentary
May 16, 2022

The Markets

Living with a bear.

On the survival series "Alone," the tension ratchets higher whenever participants encounter bears. Some participants live warily alongside bears, while others tap out. A similar thing happens among investors when they encounter a bear market.

What is a bear market?

People define bear markets in different ways. Some people say a share price decline of 20 percent is bear market territory. Last week, the Standard & Poor's (S&P) 500 Index was down 19.6 percent before Friday's rally, according to Ben Levisohn of *Barron's*, and the Nasdaq Composite was already down more than 20 percent.

Other people say a bear market occurs when more investors are bearish than bullish. That's certainly the case today. The Association of Independent Investors' Consumer Sentiment Index found 49 percent of investors were bearish and 24 percent were bullish last week. Other sentiment indicators, including the Consensus Bullish Sentiment Index cited by *Barron's*, also show that investors and investment professionals are feeling more bearish than bullish.

So, it's safe to say we're either in a bear market or quite close to one.

The decisions investors make today can affect long-term outcomes

While it is never comfortable to watch the value of savings and investments drop, as they do during a bear market, it's important to remember that the decisions you make today can have a significant effect on the value of your portfolio over the long-term. During bear markets, investors may choose to:

1. **Sell**. The thinking behind selling is usually something like this: If I sell, I will cut my losses and preserve what I have. These investors are willing accept a loss of principal, which may hurt their ability to reach long-term financial goals.

2. **Stay invested**. Investors who remain invested recognize that a market decline is not the same as a loss of principal. By remaining invested, they create an opportunity to regain lost value should the market change direction.

3. **Look for opportunities**. Some investors recognize that bear markets often create buying opportunities. These investors work with their advisors to identify ways to position for gains should the market recover. The goal of investing, after all, is to buy low and sell high.

A few words of wisdom

If you're feeling uncertain, this is a good time to revisit the words of Randall Forsyth and Vito Racanelli of *Barron's*. In 2008, they wrote, "The good news is that once the decline reaches that arbitrary 20% mark, based on history, the market has suffered most of its losses. The bad news is that the decline typically drags on for some time, and time may be the worst enemy…as the decline wears down investors' psyches, they tend to bail out at the market's nadir, when things look bleakest – and when the greatest opportunities present themselves."

Last week, major U.S. stock indices finished lower. Rates on U.S. Treasuries moved lower, too, as risk-averse investors moved assets into Treasury bonds, reported Samantha Subin and Vicky McKeever of CNBC.

Data as of 5/13/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-2.4%	-15.6%	-2.2%	12.7%	10.9%	11.6%
Dow Jones Global ex-U.S. Index	-2.0	-17.0	-15.7	1.9	1.1	3.0
10-year Treasury Note (yield only)	2.9	N/A	1.7	2.4	2.3	1.8
Gold (per ounce)	-3.8	-0.5	-0.6	11.8	8.0	1.5
Bloomberg Commodity Index	-1.6	29.4	39.9	17.9	9.0	-0.4

S&P 500, Dow Jones 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; U.S. Treasury; 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.

HERE'S THE MOST IMPORTANT QUESTION: DO YOU THINK THE STOCK MARKET WILL RECOVER?

The editors of *Business Week* once thought the answer was a resounding, "No." On August 13, 1979, the cover of the magazine declared: *The Death of Equities: How Inflation Is Destroying the Stock Market*. The S&P 500 Index closed at 107 that day. As it turned out, they were wrong, and equities weren't dead. The value of the S&P 500 Index rose significantly over the next few decades.

Over the last 50 years, there have been other events that caused investors to think the worst. For example:

- **Black Monday**. At the end of trading on October 19, 1987, stock markets around the world had experienced the biggest one-day decline in history, according to the Federal Reserve. The Dow Jones Industrial Average lost 22.6 percent that day and finished at 1,739. (The Dow had gained 44 percent during the previous seven months.)

  Last week, the Dow closed at 32,197.

- **The Dotcom Bubble**. In the 1990s, everyone wanted to participate in the commercialization of the internet by investing in technology companies – even those that weren't profitable. A speculative bubble formed and popped, reported Adam Hayes of *Investopedia*. The Nasdaq Composite Index lost almost 77 percent from March 2000 to October 2002, when the Index moved up from a low of 1,114.

  Last week, the Nasdaq finished at 11,805.

- **The Housing Market Crash**. The subprime mortgage market grew fast in the early 2000s, following a change in regulations. Lower-quality mortgages were often included in mortgage-backed securities. When home prices fell, borrowers defaulted, and financial markets were disrupted, reported Paul Kosakowski of *Investopedia*. The S&P 500 fell from 1,565 in October 2007 to about 1,276 in March 2008.

Last week the S&P 500 finished at 4,024.

The weight of evidence accumulated over time supports the idea that holding a well-allocated and diversified portfolio focused on your financial goals is a sound choice. During periods of volatility, like this one, it's important to stay focused on your long-term goals.

Past performance is no guarantee of future results.

Weekly Focus – Think About It

"A simple rule dictates my buying: Be fearful when others are greedy, and be greedy when others are fearful."

—Warren Buffet, investor and philanthropist

Best Regards,

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

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* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* You cannot invest directly in an index.
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