

## **May 2022 Takeaways**

- *When you're up, you're up and when you're down, you're down... unless things are all even.* That is where equity investors found themselves at the end of May. In spite of a volatile rollercoaster ride, courtesy of relentless headline headwinds, stock indexes closed the month in positive territory. I know, I had to double-check the numbers myself.
- *In other news, ongoing inflation fears have edged out COVID as the leading source of concern to "bug" investors.* There are two schools of thought on this topic (as usual). The first is that we are in a runaway cycle of inflation as evidenced by runaway prices at the pump and grocery stores. These are legitimate concerns. However, those on the other side of the argument claim that when inflation spikes as quickly as it has over the past year, it has probably peaked or is close to it.
- *We'll get a better picture of where this is going moving forward with a weather eye on monetary policy (showing constraint) and fiscal policy (no constraint as yet).* One thing I've noticed in the past is that when inflation is rising along with interest rates, consumers reactively accelerate spending in anticipation of higher prices which causes prices to move higher!
- *This may help to explain, in part, the slight bump higher in the May CPI number, which posted a new 40 year high, but not by much.* Many will be waiting on the Personal Consumption Expenditures (PCE) Index later in June for confirmation of relief or more pain ahead.
- *Any way you want to view the current news won't dissuade the naysayers from predicting an imminent recession.* However, a quick peek at our [Recession Predictor](#) still shows about a 1 in 4 chance of recession in the immediate future. For those who want to track trends, keep an eye on the three-month treasury yield. It is part of our calculation.
- *Despite the on-again, off-again market action, the economy remains pretty healthy... for now. Earnings are relatively strong and employment data remains relatively healthy.* In closing, I leave you with a timely quote from Winston Churchill – "If you find yourself going through hell, keep going." Good advice! More next time.

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