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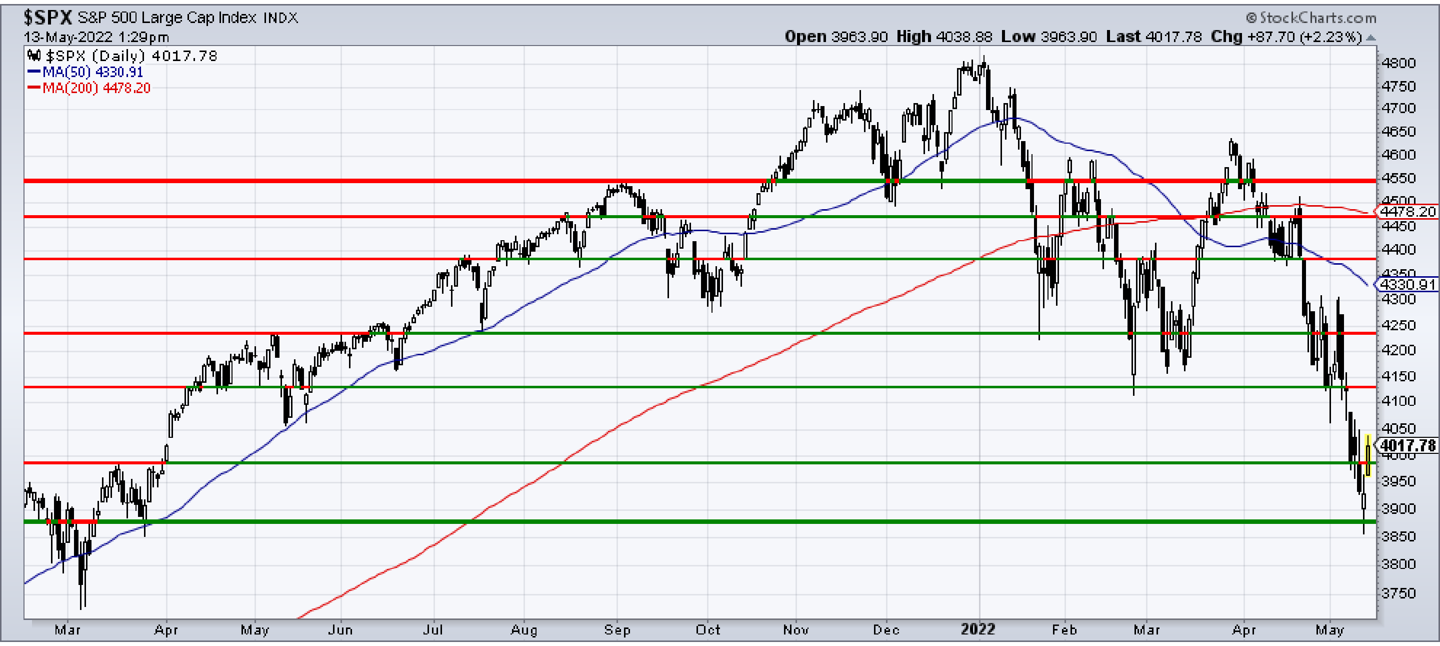

Our Point

On an intraday basis the S&P stopped just short of the "magic" bear market number of down 20% for the year to date. As it is, the index is down 17.5% before today's trading. The NASDAQ is down 27% and the Russell 2000 is down 23%. It continues to be an ugly year to say the least. In fact, it is the worst start to a trading year since 1939! As discussed in these pages, bonds have been no safe haven and the widely touted diversification tool of a 60-40 (60% stocks and 40% bonds) portfolio has been dismal. Arguably, it is the worst a 60-40 portfolio has ever done through 4 ½ months. Make no mistake – we are in a bear market. Whether or not it becomes a protracted and much more painful bear market is open for discussion. The NASDAQ long ago gave up all of its gains from last year and the S&P is not far from wiping out its prior year gains. There have been very few places to hide. This week, crypto took center stage as a run on bitcoin, ethereum, etc. left investors with life changing losses. The fear spread to the equity markets as the S&P had a weekly loss of 5.5% through yesterday. Today's rally does nothing to the longer-term downtrend and has the appearance of a short-covering oversold bounce. We may have a few days of positive gains, but much technical damage has been done and we do not believe that the worst is behind us. Capitulation is the hallmark of a market bottom and we have not seen that yet. As we mentioned last week, a visit to the 4000 level on the S&P was a likelihood and we reached that level on Monday. Since then, the index has tried to regain that support/resistance level and is trying again today. Because of last year's rapid ascent, there are not many logical levels of support. 3900 is almost assuredly to be revisited and, beyond that, 3700 is likely where we are headed. It is hard to see a catalyst that would put a floor under the market. The Fed reiterated its hawkish stance this week though Chairman Powell did reiterate his stance that a 75-basis point hike was not anticipated. The hope that some negotiated peace would be achieved in Ukraine seems far fetched at this point. China is making noise in the Taiwan strait. Inflation rages. Speaking of inflation, many are calling this peak inflation. It may be - but peak inflation versus falling inflation are two different things. It is difficult to see inflation receding too much over the coming months. While the news is somber on this Friday the 13th, there are many reasons to be optimistic. The US remains the strongest economy in the world and is very resilient. The stock market losses will present innumerable opportunities for those that have the capital to invest once things settle down. It is our goal to ensure that our client's capital is protected in times like these, and we have done just that through the first 4 months of this year. Small losses are inevitable when investing in the stock market, but big losses will lead to changing lifestyles and financial pain. We have a 30-year history of protecting our client accounts and that won't stop now! We made a small change in our aggressive portfolios this week as we purchased a holding in the NASDAQ yesterday. The purchase is likely a short term one to take advantage of the oversold market and could be sold today or early next week. The rest of our portfolios remain mostly in cash with small investments in funds where we see opportunities. A market bottom will eventually form but we will need to see more confirmation. One day rallies do not make a trend. Have a wonderful hot and humid weekend.