



# Forward Focus

## July 2022



### Quarterly Market Review

Inflation is at its **highest level in 40 years!** The S&P 500 index posted its **worst first half in over 50 years!** The U.S. Aggregate Bond Index posted its **worst first half in history!** This led to an **all-time low in Consumer Confidence!** There have been few positives or places to hide. Stocks are down 20% and even bonds are down over 10%.

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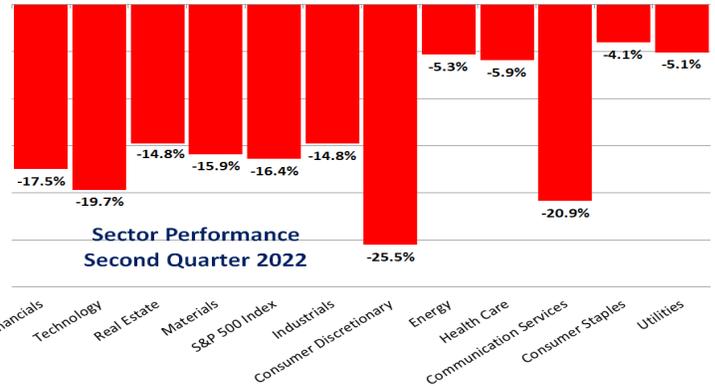
-Quarterly Market Review

-Market Boxscore

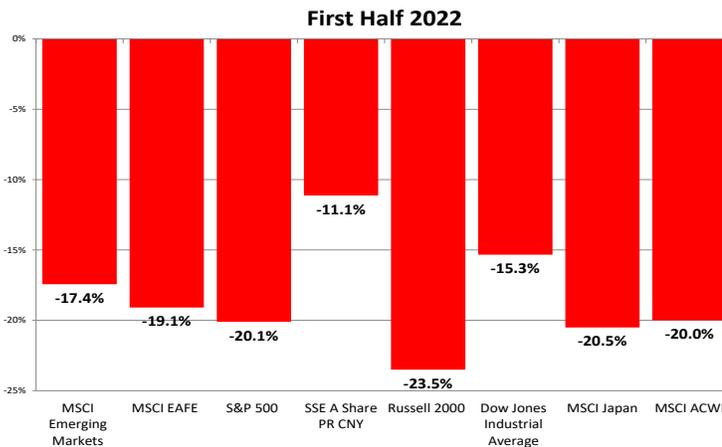
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-Wise Moves in a Bear Market

The chart on the right shows the returns of the 11 sectors of the stock market over just the past 90 days. As you can see, double-digit losses were the norm. The S&P 500 declined 16% from April through June.



Now that I have stated the brutal reality, let's look at it from a more useful perspective. The typical recessionary decline is single-digits away from where we are now. (A 30% decline is typical and we're currently down 22%). While there are no guarantees, history shows that most of the pain has already occurred and better days are ahead. Currently, 120 stocks in the S&P 500 are down more than 30% and companies like Netflix, Nvidia, Facebook (Meta), and PayPal are down between 50%-70%! Thus, there are tremendous buying opportunities emerging. According to FactSet, when consumer confidence troughs (reminder: it's at an all-time low right now), the average S&P 500 return over the next 12-months is about 25%.



Global markets posted negative returns last quarter, proving again there were no places to hide (see chart on left). Inflation fears, Russia's war in Ukraine, Global Central Bank rate hikes, China Covid lockdowns and supply issues have affected the entire globe.

We have taken steps to mute the downside and continue to monitor and adjust portfolios; however, it is time to start looking for entry points, not exit points. Money is made when stocks are bought for bargain prices. The old adage is to buy when others are fearful. Well...there is no shortage of fear right now.

The stock market is forward looking. Markets don't wait for the economy to improve, it advances in anticipation. Example: The S&P 500 climbed 17% in 6 days in late March 2020, and almost 45% from March 23<sup>rd</sup> to June 8<sup>th</sup>, 2020 DURING lockdowns, double-digit unemployment, rising Covid cases and deaths, and a recession. Why? It anticipated stimulus, rate cuts, tax breaks, vaccine, etc... Waiting for the all-clear sign means missing out on the recovery.

Market declines create amazing opportunities. However, it requires action amidst the decline to benefit from it.

#### Second Quarter 2022

Dow Jones Industrial Average -11.3% ● S&P 500 -16.4% ● MSCI EAFE (International) -13.2%  
 Russell 2000 (Small Cap) -17.5% ● MSCI EMI (Emerging) -10.4% ● Barclays Capital Aggregate Bond -4.7%

## Wise Moves in a Bear Market

There are ACTION steps that can be taken now, to make tomorrow better. Inaction in a bear market is a wasted opportunity. Action is taking purposeful steps towards where you want to go. Here are some ACTION steps that give purpose to your financial journey during this market downturn.

**IBONDS:** Government backed savings bonds currently paying 9.62% risk-free. See the back of the quarterly letter for details. Available only through [Treasurydirect.gov](https://www.treasurydirect.gov). A great Action Step if you have additional money.

**ROTH CONVERSION:** IRA accounts have decreased in value. Converting a portion of your IRA to a Roth IRA is a wise move right now. The amount you convert is considered taxable income, but once converted into your Roth IRA it provides tax-free growth and tax-free distributions in retirement. Example: If a \$10,000 investment in your IRA has declined 20% it is worth \$8,000. Converting it to a Roth IRA, adds \$8,000 to your taxable income this year, but avoids future income taxes, eliminates required distributions in retirement, and provides an enormous benefit to both you and your beneficiaries. I have personally done this and recommend others do it.

**PAY OFF DEBT:** Inflation makes things more expensive. It also impacts interest rates on debt (auto loans, mortgages and home equity loans, etc...) Paying off debt is always a great idea, but doing so now will provide peace of mind, free up more of your monthly income, and allow you to improve your financial situation regardless of what the economy or stock market is doing.

**EMERGENCY FUND:** Saving for an emergency is always wise. Saving 3-6 months of living expenses should be the goal. Sadly a recession is coming. That usually entails layoffs, additional expenses and uncertainty. Create a buffer between you and uncertainty by having at least 3 months of living expenses saved in a savings account.

**SCHEDULE A MEETING:** When markets are down, it is normal to get nervous, scared and even (dare I say) irrational. A 'wise move' would be to schedule a meeting with me (Greg). We can look at the reality of the situation, make adjustments to improve your future, and develop action steps that benefit you.

**SAVE MORE:** I know, easier said than done. However, investing in down markets is a great way to recover faster and benefit from a bad situation. Many markets are down 20%-30%. That is quite a sale. To get back to break-even requires returns of 25% and 43%, respectively. Take advantage of it. Even adding \$100/mo. will benefit you.

**OPEN A ROTH IRA:** A Roth IRA allows for tax-FREE growth and tax-FREE withdrawals during retirement. However, contributions are not tax-deductible. Individuals with taxable income below \$129,000 or married couples filing jointly with incomes below \$204,000 can contribute \$6,000/year (\$7,000 if over age 50). Adding money when the market is on sale like this is such a wise move.

I have listed a multitude of WISE MOVES to make. Please take advantage of this time and make progress on your financial goals. There is no reason to pine away and worry. This is not the end. There are still plenty of solid moves to make. Although the market is down and inflation is rising, YOU still have control and can take action steps to improve your financial life. If you don't know which one to choose, choose 'Schedule A Meeting' and let's figure it out together.

Wise moves now can lead to a more prosperous future. The key is to take action steps that are wise. Panic selling, gorging on media, and living in fear is not wise.

Due to the importance of the topic I will repeat it again. Please take advantage of this time. There are solid moves to make. You have options to improve your financial life. If you don't know which one to choose, choose 'Schedule A Meeting' and let's figure it out together.

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