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PRIVATE WEALTH MANAGEMENT

Welcome to May! Every month, we like to impart some perspective on the financial markets or shed light on a current headline or two, all to help our clients sift through the noise and become slightly more educated investors. We welcome your comments and suggestions, and as always, we invite you to share this piece with anyone you believe may find it of interest.

April's events most certainly tripped up the run in the financial markets, with the S&P 500 erasing as much as 5.5% between the end of March and April 19th[1]. Although we doubted that after five straight months of gains the S&P would manage to make it six, Iran's retaliatory attack on Israel seriously complicated things. As would be expected, investors were rattled by the news and stocks traded down for six consecutive days until the Israeli response became clear.

What many of us may forget is that the first half of April was all about inflation and if, when, and by how much the Federal Reserve might cut rates. As we wrote here last month, we don't really care much about that because when the Fed cuts rates has never been the basis for our positive outlook. As investors and the owners of enduring businesses, we would much rather have sustainable GDP growth, moderate inflation, and steady rates than a weakening economy that requires Fed stimulus to spur demand.

Regardless, uncertainty was the name of the game in April. But if there's a silver lining to this rough patch, it is that we find encouragement in actually knowing the reasons behind what happened. The declines that trouble us are the ones for which we have no answers.

Unsurprisingly though, some have questioned the durability of the bull market amidst these challenges and our perspective remains positive because we're seeing nothing meaningful to alter our view. Yes, we hear rumblings of stagflation and we believe some forward-looking earnings estimates may be a bit too optimistic, but barring any substantial escalation in geopolitical tensions, and barring any surprise moves by the Federal Reserve or the bond market, we remain quite confident we'll avoid a bear. If we're wrong and this is the best that equities will give us for a while, this bull market will have been the shortest in over seventy years[2].

More than anything, we believe the more likely scenario is one that we discussed in our March Check-In:

> *Notwithstanding our positive outlook, we've been advising our clients of the possibility of a pause at some point this year for the market to digest its gains. Whether such a pause is imminent or unfolds down the road, perhaps influenced by the upcoming elections, a resurgence of inflationary pressures or geopolitical tensions, it all remains to be seen.*

And here we are. As to where and when this pause will end is anyone's guess, but it is essential to put these fluctuations into perspective. April's peak-to-trough pullback – while perhaps unsettling to some – didn't even get halfway to the magnitude of typical intra-year corrections. Moreover, historical data reveals that market declines are not uncommon occurrences and are often followed by periods of recovery and rapid growth.

Looking beyond April, of course the broader picture becomes quite positive with the S&P showing respectful year-to-date returns and a substantial 22.3% gain since its October lows[3]. So rather than focusing on the fluctuations, we should remind ourselves that the market is simply doing what the market does. Uncertainty is part of the process, but with clear perspective and a focus on our long-term strategies, we can weather the ups and downs with calm and confidence.

In the coming months, we will continue to monitor market developments closely, ensuring that our thoughts and perspectives are communicated effectively. As always, we remain committed to your financial well-being, and we look forward to the journey.

Onward.

[1]Thomson Reuters [2]Birinyi Associates [3]Thomson Reuters

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