

THE MARKET MEMO

DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

The Federal Reserve (Fed) continued its aggressive battle against inflation, raising the federal funds rate another 0.75% at its July meeting – the fourth rate bump this year. We're now in a neutral 2.25% to 2.5% range, and the central bankers are on track to raise rates to a mildly restrictive 3% to 3.5% range by the end of the year.

The domestic equity markets appeared to appreciate the Fed's firm stance. The S&P 500 rallied more than 9% for the month – the highest monthly increase since November 2020.

Still, investors should expect some challenging months ahead as we navigate uncertainty around global inflationary pressures and slowing real gross domestic product.

Details for the month of July include:

- Second-quarter real gross domestic product came in at -0.9% following a 1.6% decline in the first quarter.
- On the other hand, corporate earnings season appears to be robust thus far, buoyed by relentless consumer spending. Personal consumption expenditures, which account for almost 70% of the economy, grew by 1% during the quarter.
- Recession still seems unlikely in 2022, though a mild, short-lived recession could occur in the middle of next year.

We likely have more weakness to endure in the near term, but we believe investors can expect positive returns over the next 12 months. Long-term investors should anticipate an eventual rally on the other side of this weak trend and take advantage of potential buying opportunities.

While volatility feels uncomfortable, our experience has led us to believe that adaptability and a cool head will help us weather any market environment and position us for the future. Thank you for your continuing trust. If you have questions about the markets or your financial plan, please reach out at your earliest convenience.

Sincerely,

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