

August 2022

Buying Bears: Tough Starts Do Not Always Mean Bad Finishes. The S&P 500 fell by almost 25% from high to low earlier this year. Bonds were no haven losing an unprecedented 14% in the same timeframe. One major headwind for investors is inflation: the prices from everything to food to gas at the pump to cars and more are running hot. In response, the Federal Reserve continues to raise its interest rates to tamp spending and cool the economy.



The good news is that tough starts do not always mean bad finishes. According to Goldman, Sachs, in the past when stocks have dropped 20%, they gain on average 24% in the following 12 months (based on their studies in periods since World War II).

While there are multiple potential paths for investors, evidence of receding inflation and limited impact on earnings could translate to higher prices and less volatility for many asset classes. We observe a healthy start to the second half of 2022 as both the stock and bond markets have rebounded from mid-June lows. While most asset classes are still in the red year-to-date, the recent trends are established and positive based on our models.

Investment Decisions. Starting the second half of 2022, we invested your cash in an ETF holding blue-chip dividend paying stocks, another invested in growth-oriented stocks as well as a long duration Treasury bond ETF and high yield corporate bond ETF. All purchases are grounded in established positive trends indicated by our quantitative models. As a result, your accounts are nearly fully invested down from 9% in cash at the start of the month.

As we wrote last month, we are confident that while year has been tough it will pass. Further, when markets get pushed to the floor, there is a trampoline effect and prices can jump back quickly. We assure you that we continue to be your guide with goals of guarding and growing your wealth.

We stay on alert overseeing investment holdings with the two goals of growing wealth while guarding it. We look at risk and return both strategically and protectively. Strategically, through good offense, we create unique allocations with great prospects for delivering growth while guarding against unnecessary risk. Protectively, through great defense, we incorporate data to flexibly respond to market information and to help guard against losses.

Thank you for your continued loyalty and trust.



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