AMJ Financial Wealth Management
Weekly Market Commentary
August 29, 2022

The Markets

Markets were tuned to the signals coming from Jackson Hole, Wyoming.

During World War II, United States armed forces often relied on high-powered radio sets to communicate. When determining whether transmissions were garbled by static or obscured by the sounds of battle, the sender would ask, “Do you read me?” If communications were easily understood, the answer was, “Loud and clear.”

Last week, markets heard U.S. Federal Reserve Chair Jerome Powell loud and clear. He spoke at the Federal Reserve (Fed)’s policy forum in Jackson Hole, Wyoming, and said:

“The U.S. economy is clearly slowing from the historically high growth rates of 2021, which reflected the reopening of the economy following the pandemic recession. While the latest economic data have been mixed, in my view our economy continues to show strong underlying momentum. The labor market is particularly strong, but it is clearly out of balance, with demand for workers substantially exceeding the supply of available workers. Inflation is running well above 2 percent, and high inflation has continued to spread through the economy. While the lower inflation readings for July are welcome, a single month's improvement falls far short of what the Committee will need to see before we are confident that inflation is moving down. We are moving our policy stance purposefully to a level that will be sufficiently restrictive to return inflation to 2 percent.”

It wasn’t the speech stock market bulls had hoped to hear. They were anticipating the Fed would take a doveish policy turn, and would soon begin to raise rates less aggressively, according to sources cited by Lu Wang and Elaine Chen of *Bloomberg*.

Following Chair Powell’s remarks, major U.S. stock indices headed south.

“The Dow Jones Industrial Average declined 3% on Friday…while the S&P 500 index fell 3.4%...the tech-heavy Nasdaq Composite took the brunt of the damage, falling 3.9% on Friday to end the week down 4.4%. That makes sense, given that expensive growth stocks are most sensitive to rising interest rates,” reported Ben Levisohn of *Barron’s*.

Data as of 8/26/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-4.0%	-14.9%	-9.2%	12.1%	10.7%	11.2%
Dow Jones Global ex-U.S. Index	-1.1	-18.6	-19.4	2.1	-0.2	2.4
10-year Treasury Note (yield only)	3.0	N/A	1.3	1.6	2.2	1.7
Gold (per ounce)	0.0	-3.8	-2.0	4.5	5.8	0.5
Bloomberg Commodity Index	1.9	25.6	31.2	17.7	8.4	-1.6

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

OF LESSER-KNOWN ATHLETES AND ECONOMIC STATISTICS. You may never have heard of him, but Joss Naylor might be one of the greatest endurance athletes of all time. He's a sheep farmer and a fell runner whose nickname is the Bionic Shepherd. "Fell" is British for hill or mountain. At the age of 50, he climbed 214 peaks, covering 520 miles of mountainous terrain, in seven days, one hour and 25 minutes.

Mildred Ella "Babe" Didrikson Zaharias was one of the first female athletes to gain recognition. Babe won accolades in golf, where she won 10 LPGA championships; basketball, where she led the Amateur Athletic Union Golden Cyclones to a championship; and track and field, where she earned two gold medals in the 1932 Summer Olympics. She also pitched four innings during three Major League spring training exhibition games in the 1930s.

Last week, you may have heard about a relatively unknown economic statistic that rarely receives recognition. It's called Gross Domestic Income or GDI. Analysts and economists have been wondering why GDI is outperforming Gross Domestic Product, or GDP, which is a better-known economic indicator.

In theory, the performance of GDP and GDI should be about the same, according to Reade Pickert of *Bloomberg*, which may explain why GDI is often overlooked. Recently, however, the performance gap between the two has been significant.

- GDP measures the total value of all of the goods and services produced by the economy. Last week, the Bureau of Economic Analysis (BEA) reported that, after inflation, GDP declined 0.6 percent annualized from April to June, after declining 1.9 percent from January to March.

- GDI measures the total value of all of the income generated from producing goods and services. It includes compensation and company profits. After inflation, GDI was up 1.4 percent annualized from April to June, after rising 1.8 percent from January to March.

"GDP figures suggest an abrupt slowdown in economic momentum in the first half of the year…The back-to-back negative quarters, a common rule of thumb for recessions, have not only fueled fears of an imminent downturn but also led some to believe it was already under way…GDI, however, points to a more gradual cooling. It paints a picture of an economy supported by a robust labor market and resilient consumer spending, though one that's starting to feel the pinch of the worst inflation in a generation," reported *Bloomberg*.

The BEA will take another look and offer final revisions to GDP and GDI in September.

Weekly Focus – Think About It
"The way to catch a knuckleball is to wait until it stops rolling and then pick it up."

—Bob Uecker, baseball player and broadcast announcer

Best regards,

Angela M. Bender

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
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* Asset allocation does not ensure a profit or protect against a loss.
* Consult your financial professional before making any investment decision.

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