

Up, Down, or Stay the Same?

In the short term, we predict the market will remain mostly flat. World governments have already printed record amounts of cash and a lot of it has been invested in hard assets such as stock. With this in mind, it is difficult to imagine the markets have substantial room for growth. Perhaps if the world moves on from Covid? The world economies might not be 100%, but they're so close to what they once were this doesn't seem likely to give the stock market a huge boost. Perhaps if inflation drops to more sustainable

levels? We can't count on this either as US officials now suggest the inflation is here to stay for the foreseeable future.

In the long-term, we think the markets will drop. And it's only natural – markets go up and down all the time, and this market has been hot for a while. You can argue that technically there was already a large downturn during Covid, and perhaps since it was so recent we won't be due for another

correction anytime soon. This does have merit, but you can also argue the downturn was too artificial. If you have essentially the entire world shut down, of course, the markets are going to shutter.

We're hoping for a healthy correction – one that brings prices back to what's reasonable. But if the correction goes too far and instead becomes a significant downturn, that just provides a stellar opportunity to sell bonds high and buy stock on sale. We feel the best way to approach investing is through cautious optimism.

The Fed has said they plan to speed up the timeline for interest rate hikes. In theory, this will draw money out of stock and into bonds, but this may take some time. Interest rates are so low that even if you double them once, they're still low! This may explain why the Fed pushed up the timeline for three proposed hikes. How significant an impact this will have on the markets only time will tell.



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**Cautious
Optimism:**
Hope for the
best, but plan for
the worst.



Proceed with
confidence, for you
have a plan The
good times are good,
and the bad aren't so
bad, if you are
prepared for
anything.

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