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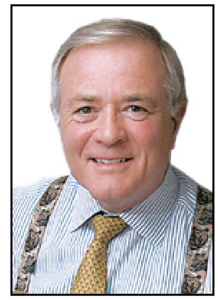

William Rutherford

OP-ED: Market experiences a bumpy ride, with inflation looming

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Stocks ended the most recent quarter with the worst month since March 2020, but recovered some lost ground on the first day of the new quarter.

Plagued by a host of issues, the S&P suffered its worst month in over 10 years.

The virus continues to confront the economy with no end in sight. As this virus continues to circulate and mutate, it will wear on the country. Other viruses will follow, as they always have. Exhortations from the central government will not be enough. The impact of this virus on the workplace and schools adds uncertainty to the economy, making Federal Reserve and budget decisions harder.

Interest rates are rising. That makes bonds more attractive to hold and diminishes enthusiasm for equities, causing a big sell-off in tech stocks.

Logistics become harder as the virus roils the workforce. Supply chains in general are disrupted due to factory closures and skilled labor shortages around the world. In particular, microchips, a necessary product of manufacturing today, are not being produced in quantities needed.

Inflation is haunting efforts to plan for the future. Federal Reserve Chairman Jerome Powell concedes that inflation will be with us longer than expected. Even dollar stores, which advertise everything for a dollar, are becoming dollar-and-a-quarter or dollar-and-fifty-cents stores, as the costs of goods rise.

Elizabeth Warren, a prominent Democratic senator, threatens to oppose Chairman Powell's renomination. The financial markets do not like uncertainty, and Powell is a known quantity.

Congress has experienced stalemates over deficit and debt ceiling increases and so is unable to plan for the budget, and budget goals cannot be met. Capital markets are very worried about a failure to increase the debt ceiling, which makes failure to pay our debt more likely. Treasury Secretary Janet Yellen warns that a recession will follow if the debt ceiling is not raised.

There seems no end to the problems confronting the economy, and, with no coherent plans for the future, goals cannot be met. The market reflects this uncertainty.

What is an investor to do in such uncertain times? First, one needs to adopt a long-term point of view. If you follow the daily vagaries of the market, you will be lost and confused. A long-term point of view will help to sort out the volatility.

The U.S. economy over the years has weathered many challenges – wars, recessions and depressions – and still come out ahead. So, resist responding to the volatility; focus on the horizon. Diversification will help reduce volatility, so be diversified in stocks and companies that will grow in uncertain times.

Overall, the U.S. economy has a tendency to grow. The best thing to do is stay invested in a diversified portfolio. Don't try to time the market. Invest in things that people need: food, clothing, shelter, health care and transportation, for instance.

Expect inflation and so also invest in things that have intrinsic value and can appreciate. Inflation will bring rising prices, so it is OK to buy for the future – for example, homes, automobiles and the companies that supply to and manufacture them. Spend wisely and invest accordingly.

Think of the virus as an enemy and do everything you personally can to defeat the enemy. We will get through this difficult time and come out stronger.

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