

SAWCHUK WEALTH

FLASH UPDATE



With the recent increase in market volatility I wanted to just reach out and provide a quick update on how I see things. When markets drop like this, it's always a good idea to take a step back and look at things from a higher time frame (meaning over a longer period of time), and try to gain both some perspective, but also look for clues as to where things may be going. Let's start with where we are now. As of 9:25am, the futures are down across the board, between 1 and 2% depending on which index you follow, which is a continuation of the steady drop since the very ending of 2021. There are a few things I am looking at to help gain that perspective I mentioned:

- The Federal Reserve Open Market Committee (FOMC) meeting starts tomorrow and will end with an announcement on Wednesday of updated policy direction. My take: the markets are attempting to send a very clear message to Chair Powell that they think he may be on the verge of a policy mistake by tightening monetary policy at a time when the bond market is signaling that inflation may not be the big problem.
- The VIX, which is a tool to measure fear/selling in the markets, has jumped to 33 – see the chart below for context. The point: while it is picking up, we are still quite comfortably in a trading range.



- Both the NASDAQ and S&P 500 have dipped below their 200-day moving averages, and while this is definitely not a great trend, it would suggest that conditions are beginning to look oversold.



- I look at something called RSI (Relative Strength Index) which is a technical indicator that can help us understand current market conditions, and on both S&P 500 and NASDAQ, RSI is in the very oversold range. (This doesn't mean that it can't persist)
- If you're in Howard Capital, I know they have already begun paring back some equity, the details are not specifically available per regulatory guidelines, but in general terms their systems are doing what they're designed to do.
- On the economic front, we are in the early stages of earnings season, as more data comes out it will again give us some clues as to direction. My guess, and this is just a guess, bad news may be good news as it could impact Fed policy.
- Increasing rates are NOT a death sentence for equities, but overly aggressive policy would not be great. My guess, Chair Powell gets it and is likely to listen to the markets. There is a lot of political pressure on him to get it right.
- In very general terms, currently, I really don't see conditions like what we experienced in either 2008-09 or during the early days of Covid. As I write this the NASDAQ is off almost 12% YTD, S&P almost 8%. In 2018, when the markets tested Chair Powell's fortitude, and he finally gave in, the S&P pushed down near 20% before moving to recovery. It is possible we could get there before this move is over, for context.

You're in good hands with Sawchuk Wealth. We have systems in place to address these kinds of conditions, which are never fun. It's a lot like being in an airplane during turbulence, it's uncomfortable but generally not dangerous. The markets have had a huge run since 2009, and we were obviously due for some volatility. I still believe that in the long run, the Fed simply cannot allow the markets to fall too far for too long as it could create larger problems that they may not have the tools to fix. With that said, our systems are not and will never be designed to avoid volatility, but they are designed to minimize the risk of losing too much. Between Howard Capital, who we have great faith in, and the various annuity contracts we employ with buffers, floors and such, we have the tools to manage these conditions. Rest assured, we are on top of things, and if circumstances warrant, we will continue to take actions that we view are in the best interest of our clients. Risk management is critical, and I have been telling you that we are likely going to see volatility pick up. We've been expecting this and we have instituted the mechanisms that we believe give us the best chance of both protecting the downside but also converting volatility into opportunity where appropriate. For now, stay warm, enjoy a tasty beverage and know that we are doing exactly what you hired us to do.