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Points

June 20, 2022

Market Update

Last Monday, June 13, the *Wall Street Journal* reported that the Federal Reserve would be raising its key policy interest rate by 75 basis points, when it met on Tuesday and Wednesday. This spooked the markets as just last month, Fed Chairman Jerome Powell basically declared that 75 basis points was not on the table for consideration. The end result is that the S&P 500 Index dropped 5.79%, one of the largest one-week drops since the panic meltdown of the pandemic, the week ending March 20, 2020. We thought we would update investors by putting some things into perspective.

According to Ryan Detrick, Chief Market Strategist at LPL Financial, through Thursday of last week, the S&P 500 is down 12.2% the past 10 trading days. The last 3 times that happened was Feb/March 2020, August 2011 and March 2009. Each of these timeframes marked near market bottoms. Ryan goes on to say that the S&P 500 is down 10 out of the past 11 weeks. This has only happened once in history, back in 1970.

Only 2% of the stocks in the S&P 500 are above their 50-day moving average. This is near historically washed-out levels, only topped by March 2020, December 2018, October 2011 and October 2008.





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If we go back to 1993, and look for the occurrences of 7-day, 10%+ declines in the S&P 500, you will see the dates are not surprisingly clustered mostly in 2000, 2001, 2008, 2009 and 2020. These marked major pullbacks in the S&P 500. There were a few others in 1998, 2011, and 2015. Other than 2001, forward returns were very strong.

Date	7 Day Decline	Trailing 12 mo Return	Next 12 mo Return	Date	7 Day Decline	Trailing 12 mo Return	Next 12 mo Return
10/10/2008	-23.7%	-42.2%	25%	6/16/2022	-11.7%	-12.0%	?
10/9/2008	-21.8%	-40.2%	21%	2/27/2020	-11.6%	8.5%	30%
3/16/2020	-20.7%	-13.1%	68%	11/12/2008	-11.6%	-39.6%	30%
3/12/2020	-17.4%	-9.2%	62%	1/20/2009	-11.5%	-39.8%	45%
10/7/2008	-17.2%	-33.7%	9%	7/22/2002	-11.5%	-31.2%	23%
3/19/2020	-16.6%	-13.6%	66%	3/11/2020	-11.2%	1.9%	46%
3/20/2020	-16.1%	-17.3%	74%	3/5/2009	-11.2%	-47.2%	70%
11/20/2008	-16.0%	-46.4%	49%	12/24/2018	-11.2%	-10.6%	40%
3/17/2020	-15.0%	-8.4%	60%	2/23/2009	-10.7%	-43.8%	51%
10/15/2008	-14.0%	-41.2%	25%	8/25/2015	-10.6%	-4.3%	19%
3/13/2020	-13.9%	-1.8%	50%	10/22/2008	-10.6%	-38.2%	24%
8/8/2011	-13.8%	1.5%	28%	10/27/2008	-10.5%	-43.4%	30%
10/6/2008	-13.3%	-30.5%	3%	3/6/2009	-10.3%	-46.9%	70%
9/20/2001	-13.2%	-32.8%	-13%	2/19/2009	-10.2%	-40.8%	45%
7/23/2002	-13.0%	-33.7%	26%	9/4/1998	-10.2%	6.8%	40%
8/10/2011	-12.8%	1.4%	28%	6/13/2022	-10.2%	-10.3%	?
3/18/2020	-12.5%	-13.5%	66%	9/19/2001	-10.1%	-31.1%	-16%
10/8/2008	-12.5%	-36.1%	12%	9/3/1998	-10.0%	7.1%	40%
2/28/2020	-12.4%	8.1%	34%	3/3/2020	-10.0%	9.8%	29%
8/31/1998	-12.3%	6.5%	39%				
11/19/2008	-12.0%	-42.9%	38%	Median	-12.0%	-30.5%	34.0%
9/21/2001	-11.8%	-33.7%	-13%	Average	-13.1%	-21.4%	35.2%

Source: Stock Charts.com, S&P Global

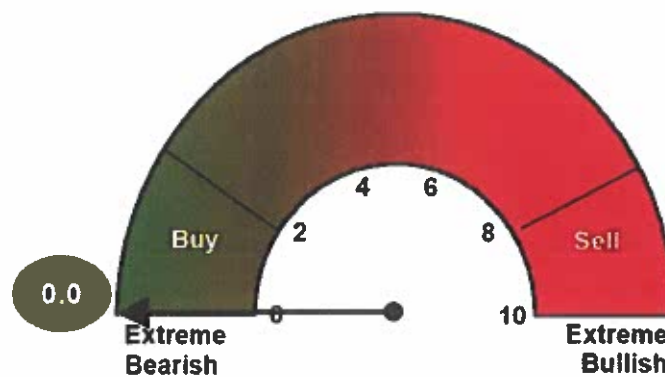


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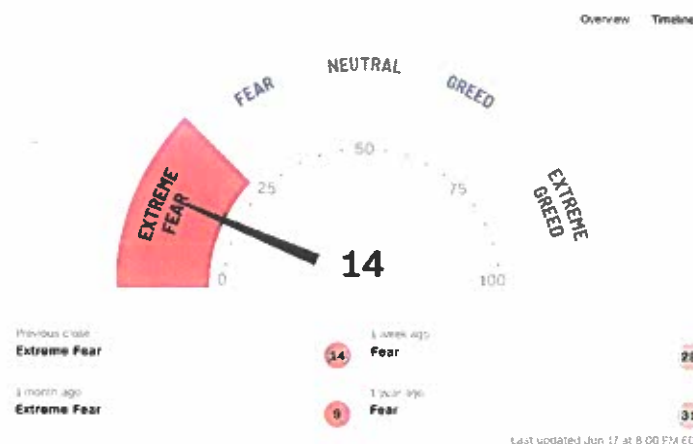
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If you have ever attended one of our retirement planning classes, we often like to discuss “Perception vs Reality” and investor’s psychology or state of mind during volatile times in the market. Turning on one of the financial news channels will not give you a warm, fuzzy feeling right now, but we would point out how much of a contrarian indicator this can be. Warren Buffett even said it would be wise for investors to be “fearful when others are greedy, and greedy when others are fearful.” He seems to have done pretty good for himself over the years.

Below is the *BofA Bull & Bear Indicator*. The score dropped last week from 0.2 down to 0.0. This indicator dropped to zero in August of 2002, July 2008, September 2011, September 2015, January 2016 and March 2020. Michael Hartnett, Chief Investment Strategist at BofA Global Research mentions the following three months returns have been strong.



Another of our favorite contrarian market sentiment indicators that we share in our classes is the *CNN Fear & Greed Index*.





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In a few weeks, companies will be reporting their second quarter earnings. Economists and analysts will also be watching each inflation report, desperately wanting to see a number that shows a peak. We think there may be a knee jerk reaction to the upside on the first hint of an improving inflation number, but we would rather see a few consecutive reports establishing a trend.

Looking at the statistics above, reminds us that the markets take the stairs up and the escalator down. That can be very unsettling for many investors as returns seemed to become unravelled in a short period of time. However, now is not the time to throw the baby out with the bath water. One of the oldest lies on Wall Street is "this time is different." Market bottoms are a process, not a one-day event.

We appreciate your confidence and trust!

Best Regards,

Robert D. Yarosz
Director, President

Thomas W. Rendl, Jr.
Lead Portfolio Manager

The Compass Asset Management Team

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