

July 2022

At the halfway point for 2022, we look back on what has been a broad sell-off for both stocks (as measured by the S&P 500) and bonds. The combined impact of the COVID-19 pandemic, supply-chain challenges, Russia's invasion of Ukraine, and a delayed central-bank response have resulted in low growth, inflation shocks and the risk of economic recession.



As investors have reassessed the outlook, the S&P 500 fell for 10 of the last 12 weeks of the quarter. Stocks slipped into a "bear market." Simultaneously, these same factors pushed interest rates and credit risk up, pressuring bond prices down.

During the first part of June, client holdings in financials and high yield corporate bonds were sold, eliminating further impact on portfolios and resulting in a defensive 25-50% cash at the end of the month for most accounts.

How to Invest in a Bear Market.

Surveying the state of markets, the question is: how much worse could it get? Or is the next leg for stocks a move to the upside?

Typically, a bear market turns up when the world still feels horrible. Investing at a chaotic time takes fortitude and discipline. It can also mean opportunity. History shows that the U.S. stock market has always recovered from declines in the past. So while it's a normal human reaction for negative emotions to rise during volatile markets, history shows that the U.S. stock market has always recovered from declines in the past.

We have been through bear markets, recessions (and all types of markets) many times in the past. We reiterate that we approach and steward your wealth with a disciplined process and strategy to guide, grow and guard your wealth.

While still cautious of Federal Reserve policy, we increasingly see the overall risk proposition tilted more to the upside for investors who can keep patient and withstand this uncomfortable period of heightened volatility and uncertainty.

While we do not like the current environment, we are not worried because we are confident that while this is a tough time and a scary time, it will pass and we are prepared. Further, when markets get pushed to the floor, there is a rebound effect and prices can jump back quickly. In summary, we are concerned, but the key is we are appropriately concerned.



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