

## May 2022

Both stock and bond markets are facing challenging headwinds in 2022 and the chaos is creating plenty of noise. We want to take this time to reassure clients that we have been in this environment many times before: during the tech bubble of the late 1990s, the 2000 housing collapse, the Financial Crisis of 2007-2008, the COVID-19 market collapse of 2020 and all the days, months and years since. We approach wealth management with a process and a strategy.



The opportunity in this market has been in the energy sector, but it has not been enough to completely offset overall market chaos. Client portfolios hold about one-third to 50% cash to protect against losses and offer dry powder for future investments.

Market Update: With Declines Come Opportunities. The start of 2022 has been one of the worst for both stocks and for bonds. The reasons are many, including rising prices (inflation), rising interest rates, the Russia/Ukraine war. You know those. Here are 3 things you may not know:

1. **We are in an “average” correction.** Since World War II, the U.S. stock benchmark index has fallen by 10% or more 24 times, by an average of 14.3% over 133 days. In 2022, the S&P 500 peaked on January 3 and hit a low on the last trading day in April shedding 13.9% over 116 days. We are getting to or in the range where previous corrections hit bottom.
2. **Continued high losses for 2022 are unlikely.** This year marks the 10<sup>th</sup> time since 1932 that stocks have fallen by double digits in the first 4 months of the year. For the next 8 months of those years, stocks posted on average 10% gains finishing in the green for 6 of the 9 periods. The probability of gains for this year are good, based on historical fact patterns.
3. **Income opportunities.** Interest rates have been rising due to inflation and the Federal Reserve moves. Longer term, income producing investments can generate productive total return with less risk over the next years.

We stay on alert overseeing your investment holdings with the two goals of growing your wealth while guarding it. We look at risk and return both strategically and protectively. Strategically, through good offense, by combining different asset classes we create an allocation with great prospects for delivering the growth you seek while guarding against unnecessary risk. Protectively, through great defense, we incorporate data to flexibly respond to market information and to help guard against losses.

Thank you for your continued loyalty and trust.



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