THE McCREA - BOLLINGER GROUP
FIRST KENTUCKY SECURITIES CORPORATION

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It's Not As Bad As You Think

Yes, we know that through the end of June the market was down over 20%, which was one of the worst first 6 months of a year in nearly 40 years. We also know that bonds had the worst first half of a year in over 40 years, with the Aggregate Bond index down over 12%. In our 2021 3rd quarter newsletter we warned of the coming "hangover" as the stimulus party was ending. Well, here we are. In the first six months of this year the market has pulled back to where it was at the beginning of last year. So, a few thoughts...

• The unemployment rate remains near the historic pre-pandemic lows of 3.6%. What a great time to be a college or high school graduate!

• The government deficit is getting back under control. Over the past nine months, deficit is down 75% from the comparable period last year, dropping from $2.2 trillion to $514 billion.

• While year-over-year inflation numbers will remain high for a few more months, there are signs that inflation is moderating. Many inflation barometers are down significantly from yearly highs. At the end of June, crude oil is down -27%, wheat -32%, lumber -60% natural gas -65% and gasoline -17%. Since the beginning of the year copper is down 19% and aluminum is down 13%.

• The market got overvalued last year. We believe this decline has brought the market down to fair value. Given record corporate profits it may even be slightly undervalued.

• According to Dow Jones Market Data when the S&P 500 has fallen at least 15% in the first six months of the year as it did in 1932, 1939, 1940, 1962, and 1970, it has risen an average of 24% in the second half of the year.

WHAT WE THINK

• Inflation will begin to moderate but remain relatively high (3-6%) for the foreseeable future.

• As the bond market begins to perceive the Federal Reserve is serious about fighting inflation, long term interest rates should begin to level out. For the first time in several years there are opportunities for investments that produce a good income. High quality corporate bond yields have risen to above 4%.

• As the stock market begins to perceive the Fed is serious about fighting inflation, we believe the market is near lows in this market cycle or we may have already seen the lows.

Stick to your long-term plan. We continue to recommend a well-balanced and well diversified portfolio that fits your long-term investment objectives and is suitable for your near-term risk tolerance. However, we do not believe in "riding it out". We will continue to make necessary adjustments with the expectation of taking advantage of opportunities as they arise.

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The investment markets are constantly changing. As long-term investors, we look at these changes as opportunities for your overall investment strategy. What is your timetable? How best to balance risk and rewards based on your objectives? What are the important reasons for you to build and protect wealth? We monitor each investor's portfolio against changing market conditions to maximize performance. It is our simple approach to wealth management.

Your Team:
Bruce McCrea, Chris McCrea, Bryan McCrea & TC Falkner

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A wake-up call: Your financial plan can help 'stress test' your retirement strategy through inflation, market downturn

Excerpt by Sharon Epperson, CNBC Business

A recent survey found only 29% of Americans have a financial plan, even though having one could help them "stress test" their finances amid economic woes. It can be tough for many workers as they try to stomach a dramatic plunge in the stock market. The S&P 500 Index, for example, lost 20% in the first six months of this year, the worst mid-year performance in over a half a century. With inflation rising and account balances falling, financial advisors say having a plan is more important than ever — and can help "stress test" your investment strategy.

Yet, many Americans are unprepared. About 63% of workers admit they don't know as much as they should about retirement investing, according to a recent survey by Transamerica Center for Retirement Studies. Only 35% work with a professional financial advisor and just 29% have a written plan, the survey found. To get started making a financial plan for retirement, you need to:

- Understand your expenses and your needs and wants in retirement.
- Estimate what income you'll receive from pension, Social Security, investments and any part-time or other income.
- Factor in future health-care costs, as well.

Source: CNBC Business

To learn more about stress testing your strategy and how to make a financial plan, go to ***www.cnbc.com/2022/07/19/how-to-stress-test-retirement-strategy-amid-inflation-market-downturn.html***

Market Commentary

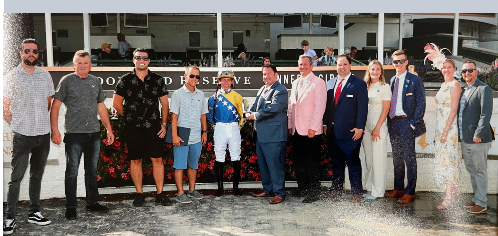
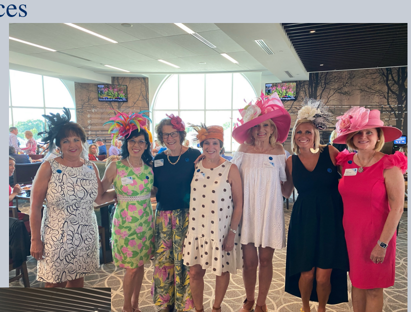
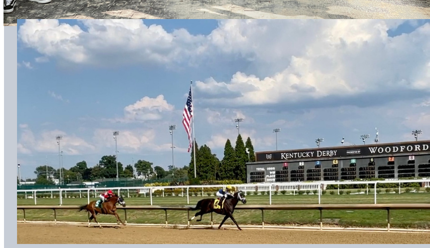
Stock Market The S&P 500 was down 16.1% in the second quarter bringing the year-to-date return to -20.0% through June 30, 2022. These reports continue to indicate that we are in a long term bear market that we believe started back in March of 2021. Given the current economic and interest rate environment we believe it is going to be difficult for the stock market to climb back to new highs any time soon. While the road ahead will no doubt be difficult, there are signs that the first half sell off has been over done. We are looking for the market to reclaim some of the first half losses by year end.

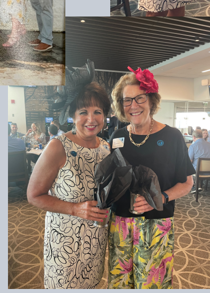
Interest Rates The Fed has hiked the fed funds rate to 1.5 - 1.75% from just 0.25% six months ago. Expectations are that by year end, short term rates will be above 3.0%. The bond market isn't waiting as the 10-Year Treasury bond ended the second quarter at a yield of 3.02%, more than double 1.45% yield we saw at the end of June 2021. 30 year mortgage rates were below 3% last year, now they have jumped to near 6% this past quarter. The higher interest rates we have been anticipating are here. As the bond market begins to perceive the Fed is serious about fighting inflation, long term rates should begin to level out. We are increasing our bond recommendation in most portfolios.

Sources:
S&P, First Trust, and Morningstar

10th Annual
Client Appreciation Day at the Races

Churchill Downs Turf Club
June16, 2022




By the Numbers

HALF OWNED BY JUST ONE PERCENT

The top 1% of American households **own 53.9% of equities** in the United States, through **direct ownership** of individual stocks or through **pooled funds** (source: Federal Reserve).

ALL IN THE SAME BOAT

Central banks in 45 nations globally have raised **interest rates** in an effort to bring down the spending demand of consumers in their respective countries. The Fed has raised rates **3 times this year**. (source: FactSet).

THIS WILL GET MORE EXPENSIVE

Average credit card debt per household in the US is **$6,600** (source: Federal Reserve).