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FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

The start of 2022 has presented a complex set of challenges for financial markets across the globe. Challenges that individually would be difficult for markets to digest, so it's no surprise the results we are seeing when these challenges are balled up and thrown at markets in unison. Geopolitical risks in Europe, decades-high inflation here at home, and tightening monetary policy, among other things, have driven investor sentiment down and ramped up volatility across asset classes.

The S&P 500 index has recessed into correction territory for the fourth time this year, closing at 4,146.87 yesterday, 13.54% below its January 3rd record-high close. The fixed income market hasn't fared much better as the broad market has sold off in the face of rising interest rates, leaving the Bloomberg U.S. Aggregate Bond Index down nearly 10% on the year. The combination of both equities and fixed income securities falling has left many investors wondering where to turn to and has placed continued pressure on diversified portfolios. In many cases, fixed income securities are used to dampen stock market volatility and act as the ballast within a diversified portfolio. When that ballast is not only lost but is falling in tandem with other assets, it presents a very difficult environment for any portfolio to navigate.

While all of this sounds bleak, I remind you that we are very far from unknown territory. Dating back to its inception, the S&P 500 has experienced a double-digit decline approximately once every 19 months. On average, these declines reach 13.7% before trending in the other direction, and recoveries back to the pre-correction level usually take about four months¹. Furthermore, we are still far from the index trading in a bear market, defined as being down 20% or more from its previous high. An occurrence that has happened nine times since the inception of the index.

In short, pullbacks like the one we are currently experiencing happen with astonishing regularity and should be viewed as part of a normal market cycle. As a long-term investor, it's important to remain patient and not overreact when making investment decisions during these periods of heightened volatility. Thanks for reading, and as always, if you have any questions, or if we can help in any way, please don't hesitate to give our office a call.

¹ Goldman Sachs AM Research

With My Best Regards,

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The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.