D|A|DAVIDSON

CAMERON WEALTH PLANNING

A member of D.A. Davidson & Co. member SIPC

It seems with every market correction there is an economic component that the investment community fixates on - money supply, velocity of money, employment rates, earnings multiples…. Inflation is certainly the focus of this market. The Consumer Price Index (CPI) is run by the Bureau of Labor Statistics and includes food and energy and is the source for cost of living adjustments in Social Security. A second measure of inflation is the Personal Consumption Expenditures Price Index (PCE), run by the Bureau of Economic Analysis. The Core PCE excludes food and energy because these prices tend to have greater price swings. The Federal Reserve focuses more on PCE in determining monetary policy (changes in Fed Funds rates and the expansion or contraction of the supply of money) as longer term policies should be less influenced by the shorter term volatility of these components. Tomorrow the CPI is announced and it appears markets are anticipating a higher than expected figure. If the PCE is also higher than expected, it may mean more or higher rate increases by the Fed which increases the cost of money. This can be costly to corporations (impacting earnings) and to the consumer (reducing consumption) and increase the demand for bonds at the expense of stock market investments.

It does seem that while inflation is still strong, there are harbingers of downward pressure in some areas (Target announcing they are facing huge inventory and will be marking down overstocked items, China reopening increasing the production of goods and perhaps helping global supply chain issues, single family housing starts down 7.3% according to Reuters) and upward pressure in others (have you bought a plane ticket lately?). The Fed has the tricky job of increasing rates enough to slow down inflation without tipping the country into a recession, or the much ballyhooed "soft landing".

More on recessions and the markets in future newsletters, but the current consensus seems to be we'll have a recession (defined as two consecutive quarters of GDP) sometime in 2023. For the remainder of 2022, consumer demand appears to be strong enough to keep GDP positive. The bigger question is when we have a recession (a normal occurrence in economic cycles – see chart), how deep and long will it be? For now, corporate earnings appear to be strong and on track and balance sheets for both the consumer and corporations are far stronger than they were in 2008 (remember the crazy leverage?) portending a less intense recession than 2008-2009.

Neither here nor there - Our building (Wells Fargo) underwent renovations that were completed in 2020. The lobby was set up for a coffee shop, soup and salad bar and about 20 taps for a "beer garden". They've sat empty since completion and it's been a constant reminder that things are not back to normal. Today the coffee shop prepared for their grand opening tomorrow. While the building is still pretty quiet and I can easily park on the first level, this activity brought much hope to the city moving forward. I may be putting too much emphasis on one coffee shop, but it was such a positive sign. A colleague did remark "Why didn't they open the beer garden first?"

Be well.

Lyn Cameron

"The life of a nation is secure only while the nation is honest, truthful, and virtuous." -Frederick Douglass

"The best ability is availability. When you work with and for the best people in the business and you love what you do, showing up every day is a joy, but more than that, it is a privilege." -Charlie Cameron

LYN CAMERON, CFP® | **Senior Vice President, Financial Advisor, Portfolio Manager**
lcameron@dadco.com | p: 503.863.5085 | f: 503.863.5095
1300 SW Fifth Avenue, Suite 1950
Portland, OR 97201
CAMERON WEALTH PLANNING
www.cameronwealthplanning.com
Members of D.A. Davidson & Co.