WEALTH & WELLNESS GROUP

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Special Market Report

It's been an interesting start to Aug for the markets, so I thought I would send along a few thoughts and ideas on what is going on and what investors can do from here. As you may know, in the last 3 days of trading, the Dow has fallen roughly -5%, the S&P 500 is off close to -6%, and the Nasdaq is down almost -8%. If you have turned on the TV or caught the latest news on your phone, you've likely heard something like markets are cratering or in free fall with no bottom in sight. As a result, some people are already jumping on the bandwagon that we are headed for a recession.

All of which are sensational headlines to draw people in, but there's more to it than meets the eye. To start, like many of you, we aren't surprised by the current pullback. The broader markets have been absolutely on fire since last October. So much so, that a pullback was more of a matter of "when" they might fall not "if" they would.

As a result, we have been trimming positions over the last 3 months. Our sense has been that expectations for corporate profitability, economic growth, and consumer spending had just gone too far. There was so much hype around AI and such a heavy concentration of investors in mega-cap tech that any small deviation from expectations or lack of tangible results would cause a rush to the exits.

Additionally, Aug and Sept have been seasonally slow in the recent past, so the timing of this coincides with previous market pauses. Furthermore, the Federal Reserve has remained steadfast in that they were going to be "data dependent," with regard to lower interest rates. Which in our opinion is another way of saying that they were going to be reactive rather than proactive.

When pullbacks like this happen, investors need to not focus on the red and current chaos, but rather see it as a buying opportunity with the right time horizon. If we take a broader look at recent performance, you can see that the mostly tech heavy Nasdaq, it's down almost 13% from it's 52 week high. The S&P 500 is also off 8.5% from it's July high... and drilling down even further to a popular name like Nvidia, it's down 29% from its highest close.

Now that doesn't mean its time to run in and start buying everything, but we are reaching levels that make current valuations and multiples more appealing than they were just 30 days ago. Applying the appropriate time frame to the markets is also important to consider. Right now, things may look dismal, but if we shift our focus to where we think things will be in the next 12-18 months, we feel markets will be higher, which means adding to new or existing positions can provide long-term value.

It's worth pointing out that it hasn't been all bad news. Just yesterday, a key piece of manufacturing data beat expectations and went from contraction to expansion… and the Atlanta Fed is projecting third quarter GDP to be around 2.5%. Which is higher than some other experts calling for 2%, but both are well beyond the negative number we need to see in order to be considered recessionary.

Pullbacks and corrections aren't fun, but they are a very normal part of investing. Over the next few days and weeks, we could see some more back and forth like this as markets digest these sharp moves, as fighting continues in the Middle-East, and political uncertainty ramps up.

During this time, we will be adding to high quality positions (investing in the best companies within undervalued sectors), expanding our plan to use fixed income to help diversify portfolios while reducing overall volatility, and bolster account values through higher dividend income.

If you have any questions, please don't hesitate to reply to this email or call… rl@robertlaura.com or 248-890-0834

Sincerely, Bob Laura:

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