

4600 Avocet Drive
Peachtree Corners
GA, 30092

Ph: (1)678-313-6265
Email: info@oxfordchaseadvisors.com
Website: <https://oxfordchaseadvisors.com/>

Q2 2022 Newsletter

Economy & Market Valuation

The US stock market as measured by the S&P 500 dropped by around 15% in Q2,2022. Analysts and economists are carefully watching inflation to forecast the direction of the US economy and the US stock market. Everybody is trying to get an answer to the questions on inflation. Has inflation peaked? What is the direction of inflation going forward? Is inflation going to go down from next month? The Federal Reserve (Fed) has increased the pace of interest rate hikes to slow down inflation. Fed raised interest rates by 0.75% in June and it is expected to raise interest rates by another 0.75% in July. We have started seeing effects of high interest rates on housing. Housing inventory for sale is increasing and increase in house prices are moderating, and house prices could even drop in future. If inflation has peaked and rate of inflation comes down by a significant amount, the expectation is that Fed will not be aggressive in raising rates and can also start reducing interest rates in 2023. June inflation reading as measured by CPI came at 9.1%, the highest in last 40 years. The three big contributors to the high inflation reading of June are - high prices of energy, food and rents (housing). We are seeing drop in oil and food prices. If the drop persists, it could mean that we have seen a peak in inflation, and it would start drifting lower. Rents would take longer to start showing a drop. Inflation would still be way higher than the Fed target of 2% and will take longer to get to 2%. A drop in inflation is considered positive for the stock market.

2022 investment strategy

As you might have noticed we have taken some profits by selling our positions in high inflation names like fertilizer and energy. Since we sold these positions, they have dropped. We have reduced the cash percentage in the portfolio. We have started deploying cash in fundamentally sound companies like Mastercard, Visa, Costco etc. Have we seen bottom in the stock market? It is very hard to pinpoint the bottom. But we can say that if inflation starts coming down, then we are close to the bottom. The economy is still adding jobs and the US consumer is still strong. We do not see systemic risks like 2008 in the economy.

We are still cautiously optimistic and keeping an eye on the economy and inflation. We will get more aggressive, if we see inflation dropping and the economy staying strong.