RBP
Investment Advisors Inc.

3201 Danville Blvd., Suite 185, Alamo, CA 94507 • (925) 855-3880

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Investment Review and Outlook
Second Quarter 2022

Stock and bond markets throughout the world posted sharp declines in the second quarter as the Federal Reserve Open Market Committee aggressively raised interest rates to fight a significant surge in inflation. The result was that for only the second time in more than four decades stocks and bonds posted losses in two consecutive quarters.

For the quarter, U.S. large company stocks declined 16.1% (S&P 500), small company stocks declined 17.2% (Russell 2000 index), and international stocks dropped 15.4% (EAFE index). Bonds declined 4.7% (Bloomberg U.S. Aggregate bond index), as bond prices have an inverse relationship with interest rates.

U.S. stocks now appear to be reasonably valued, yet many analysts feel that we have not seen the stock market bottom. The consensus view is that the Fed has not finished raising rates and further increases will put more pressure on company earnings and stock prices. At this time, the Fed is expected to increase the federal funds rate another 1.75%, to about 3.5%, by year end.

After hitting “bear market” territory, it is impossible to accurately predict how long it will take for markets to recover to the previous high. It is not easy, but investors should focus on the long term rather than the day-to-day movements of the stock market. Staying well-diversified is the key to successful long-term investing.

Your investment portfolio should be positioned with your investment time horizon in mind. If your time horizon is at least five or even ten years, then it is recommended that you “stay the course” and maintain your target asset allocation. Money you plan to spend within the next one or two years should be conservatively invested in money markets or other cash equivalent investments.

As always, please call us anytime if you have any questions or if we can assist you in any way.

Best Regards,

Peter F. Landini, CFP®
Richard B. Pear, CFP®