

**May 2, 2022**

**Subject: Update: Economic Outlook and Market Perspective**

Good Morning,

Market volatility has increased recently, and we at the Prentis Wealth Management Group of Wells Fargo Advisors would like to share our perspectives on the economy, markets and emotions.

In our January 2022 note to clients we said: "One of the things about the stock market that has been surprising ...is the lack of volatility. From 1980 to 2021, the average intra-year decline in the S&P 500 Index was 14%. Last year (2021), the largest intra-year decline was only 5%. We are prepared and hope to be able to make opportunistic purchases should market volatility return". As it turns out, at the end of April, the S&P 500 Index was -13.9% YTD and the NASDAQ Composite Index was -21.1% YTD.

Market downturns can be unnerving, and we want to emphasize that volatility is to be expected and provides opportunities. Our focus has always been to stay disciplined and balanced in the portfolios we manage. Our objective is to own great companies that can prosper throughout the inevitable economic and market fluctuations.

The U.S. economy is strong, thanks in part to extraordinary fiscal and monetary stimulus provided during the pandemic. Unemployment is very low, wages are moving up and consumer balance sheets are healthy. There is substantial pent-up demand that has led to record travel bookings recently, which suggests confidence about the future. Business capital spending and investment have resumed in earnest, and most businesses are reporting strong demand for their products and services.

Most recently, the war in Ukraine and COVID have combined to disrupt supply chains and have contributed to inflation. Inflation, if left alone, can be a problem, make no mistake. It can damage both confidence and economic growth. Key questions are how high, how long and how persistent inflation will be.

In our view, the U.S. economy no longer warrants excessive stimulus. We believe that the Fed will (rightly) follow through with a series of additional increases in the Federal Funds rate throughout the year, while also reducing the size of their balance sheet. These actions and a waning in the prevalence of COVID should help address inflationary fears and assist in resolving supply chain issues.

The war in Ukraine is a devastating humanitarian tragedy. Our hearts and prayers go out to the Ukrainian people. Candidly, we simply do not know when and how this conflict will end. We do expect the war to have far reaching effects on the world economy and investor psychology for

as long as it persists. We will continue to monitor the situation and factor it into our investment outlook and decision-making process.

In light of all the above, it is not surprising that emotions run high and we expect the market to remain volatile. To repeat, our mission is to stay disciplined, stick to each of our client's plans, and to keep allocations balanced. We will focus on owning those companies that have the resources and resilience to manage through and grow within this turbulence.

We have often observed that "now" is always the hardest time to invest. With all that is going on, we invite you to reach out whenever you feel the need or desire to discuss...anything. We are here for you.

Focus forward, stay calm and carry on.

Peter, Mike, Stuart, Andrew, Joe and Edita

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