



### ***Ropes Wealth Examines Fed Chairman Powell's Sobering Testimony***

This week, Federal Reserve Chairman Jerome Powell took center stage in Washington in two days of policy testimony to Congress. He was unflinching in his messaging that the Federal Reserve's commitment to reining in 40-year-high inflation is "unconditional," even if it means causing a recession.

*"We really need to restore price stability ... because without that we're not going to be able to have a sustained period of maximum employment where the benefits are spread very widely,"* Powell told the U.S. House of Representatives Financial Services Committee. *"It's something that we need to do, we must do."*

Gone were any signals of optimism indicating a softish landing was still possible. In fact, Powell seemed to be increasing the emphasis on downside risks and preparing market participants for the reality of a near-term downturn.

*"It's not our intended outcome at all, but it's certainly a possibility...We are not trying to provoke and do not think we will need to provoke a recession...The events of the last few months around the world have made it more difficult for us to achieve what we want,"* Powell said. *"We've never said it was going to be easy or straightforward."*

For their part, stock markets rallied modestly this week in subdued trading after capitulating into bear market territory at the end of last week. This kind of sideways trading may characterize the coming weeks as investors look for direction in a rudderless market. Economic data reinforced the notion of a slowdown, as jobless claims ticked up, business surveys of manufacturing and service sector activity slowed down, and home sales slid in the face of rising mortgage interest rates and still record prices.

Investors looking for trouble will find signs of it everywhere right now—in the Fed's hardened resolve to raise interest rates, in slumping economic data, in a broken political system and leadership, and in a world where a war rages, a pandemic still looms, and a global population wearily faces the onset of these new challenges with fragile mental and monetary resources.

Which brings this author to another set of quotes, from the Oracle of Omaha Warren Buffett, whose sage advice reminds us that investment success comes from patience, perseverance, and discipline through discomfort.

*"Today people who hold cash equivalents feel comfortable. They shouldn't. They have opted for a terrible long-term asset, one that pays virtually nothing and is certain to depreciate in value."*

*"The stock market is a device for transferring money from the impatient to the patient."*

*"Be fearful when others are greedy, and greedy only when others are fearful."*

Truer words were never spoken.

As we face these challenging market conditions and the possibility of a recession, we urge you to consider that many risks are reflected in current stock prices and the bar is now low. If inflation peaks and begins to fall, the Fed's aggressive stance shifts, the economy slows but doesn't stop, or some companies surprise us with resilient earnings and sales, we could see a turnaround. Of course, conditions could also worsen, and we need to brace for that possibility as well. For these reasons, we once again reiterate to stay dedicated to your plan and endure this volatility with as steady a hand as possible. For our part, we will as ever strive to do all we can to carefully navigate the choppy terrain ahead on your behalf.

### ***Your Ropes Wealth Team***

Thank you for your interest in our investment commentary. If you would like to speak personally with a member of our team at any time, please click [here](#).

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