



### ***Ropes Wealth Addresses Inflation, Fed, and Loss***

Market volatility continues with each week that passes, and as more puzzle pieces come together for the period ahead. Data on the domestic manufacturing and services sectors came in below estimates, new home sales plunged, and a read on regional manufacturing activity surprisingly fell into contraction territory. This morning the core personal consumption expenditures (PCE) — the Federal Reserve's preferred gauge of underlying inflation — showed inflationary pressures eased though only modestly in April compared to March. Personal spending accelerated in April compared to March in a sign of consumer strength despite inflationary challenges. However, the personal savings rate experienced a somewhat stunning drop from 6.2% to 4.4% in April. The personal savings rate is now at its the lowest level since September 2008 and down from a peak of 33.8% in April 2020.

Inflation, labor costs, and supply chain issues remain evident in corporate earnings reports, with social media company Snap falling sharply after lowering its guidance, Best Buy posting mixed results, and apparel retailer Abercrombie & Fitch reporting an unexpected loss.

And yet all was not doom and gloom. Nordstrom, Macy's, and Dick's Sporting Goods all had strong results, noting that shoppers had shifted away from the leisure wear of the pandemic and back to pricier and occasion apparel. Discount retailers Dollar Tree and Dollar General delivered strong gains and future optimism, noting especially their ability to compete in a high inflation environment. Auto parts retailer AutoZone also beat expectations as both its retail and commercial sales performance was strong.

And as we head into a Memorial Day long weekend, roads and airlines are bustling with travelers as the unofficial start to summer is finally here. Travel loads are expected to approach, but not reach, 2019 levels despite significantly higher gas prices.

The Fed released the minutes of their May meeting which showed most participants judged that 50 basis point hikes would likely be appropriate "at the next couple of meetings." Participants noted that by "expediting the removal of policy accommodation," the Committee would be well positioned to "assess the effects of policy firming" and the need for further policy adjustments. Some interpreted the language in these minutes to mean the Fed is anxious to raise rates quickly now to tamp down inflation, but also to ensure flexibility to potentially slow rate increases or even cut interest rates to boost the economy from a more dire or prolonged economic contraction. This lifted hopes that we might see a less dramatic tightening cycle than feared, and that perhaps stock prices have overshot to the downside, pricing in a worst case recession, when a potential downturn in the economy may be more shallow and short-lived.

It is too soon to make that judgment and too soon to let down our guard on the risks clouding the horizon. It is also not the time to make dramatic shifts in allocation. It is a time instead to thread the needle of your investment plan to make incremental moves that reinforce quality, diversification, and balance so that whatever the future holds, you can meet both the risks and opportunities with confidence.

This year to date has battered us with a series of losses: from a pandemic, from a war, from inflation, and from the stock market. This week's tragic school shooting in Uvalde, Texas has taken that loss to yet another level and has broken our collective hearts and spirits. It makes talking or writing about the stock market seem trivial or out of focus. As we all pull our loved ones a little closer in the aftermath, we hope you find peace and strength in your family and friends this weekend and always.

***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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