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MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

1220 N. MULLAN ROAD
SPOKANE, WA 99206
509-922-3110

DONALD J. MOULTON
CFP®, RFC

www.moultonwealth.com

RIAL R. MOULTON
CFP®, CPA/PFS, RFC

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Are we out of the "bear market" woods? After all, as of this writing the S&P-500 has rallied some 15% off the low on June 15th. Along with that rally has come some encouraging economic news such as:

- Crude oil falling from over $120/barrel in early June to under $100 now.
- Consumer Price Inflation falling 0.6% last month to 8.5% year over year.
- The 30 year mortgage rate pulling back from almost 6% to just over 5%.
- Employment remaining strong.

Although no one knows for sure when the market will ultimately bottom, there are two problems with assuming that it already has.

1. Big rallies such as we've seen are very common during the worst bear markets. As such, a large rally in and of itself can't be extrapolated out to an "all clear" sign.
2. The economic data continues to deteriorate overall. If anything, we're closer to a recession now than at any time this year.

InvesTech Research created a table showing bear markets going back to 1929, their percentage loss, their duration and the number of interim bear market rallies of both 5% or more and 10% or more within each. The yellow highlights are those that ultimately fell at least 40%. Notice both that bear markets usually take some time before ultimately ending and that rallies, such as the one we've seen, are very common, even as they are ultimately reversed entirely and new lows set.

S&P 500 Bear Market Rallies

Bear Market	% Loss	Duration	Number of Rallies >5%	Number of Rallies >10%
2022	-23.6%	7 mos	4	2
2020	-33.9	1	3	0
2007	-56.8	17	12	4
2000	-49.1	31	8	4
1990	-19.9	3	1	0
1987	-33.5	3	2	2
1980	-27.1	20	5	2
1973	-48.2	21	9	2
1968	-36.1	18	4	0
1966	-22.2	8	2	0
1961	-28.0	6	1	0
1956	-21.6	15	3	1
1948	-20.6	12	3	0
1946	-28.8	12	7	1
1938	-45.8	42	7	4
1937	-54.5	13	10	5
1933	-33.9	20	11	5
1929	-86.2	33	18	10

They also created a table with 20 *leading* economic indicators they use to track if the economic data is improving or deteriorating and to what degree. What you'll note is that as the year's progressed, these leading indicators have deteriorated.

But what about a Fed "pivot"? Many on Wall Street are telling investors that inflation has peaked and that the Fed will stop raising rates and begin cutting rates. They go on to say it will push stocks higher.

Remember, inflation is still at 8.5% and the Fed is targeting 2%. It seems unlikely with inflation over

Status of Recession Warning Indicators

	Indicator	Jan 2022	May 2022	Current
Sentiment	CEO Confidence	▲	▲	▼
Sentiment	Consumer Confidence	●	▼	▼
Sentiment	Consumer Sentiment	▼	▼	▼
Sentiment	NFIB Small Business Optimism	●	▼	▼
Housing	New Home Sales	▲	▼	▼
Housing	Existing Home Sales	▲	▲	▼
Housing	NAHB Builder Confidence	▲	▲	▼
Housing	NAHB Traffic of Prospective Buyers	▲	▲	▼
Housing	Housing Starts	▲	▲	▲
Housing	Building Permits	▲	▲	▲
Leading Models	Leading Economic Index (LEI)	▲	▲	▼
Leading Models	LEI Rate of Change	▲	▲	▼
Leading Models	ECRI Weekly Leading Index	▲	▼	▼
Leading Data	ISM Manufacturing Index	▲	●	●
Leading Data	ISM Services Index	●	●	●
Monetary	Credit Spreads	▲	▲	▲
Monetary	Fed Yield Spread Model	▲	▲	▼
Monetary	Inverted Yield Curve	▲	▲	▼
Labor	Consumer Confidence – Jobs Plentiful	▲	▲	●
Labor	Job Openings	▲	▲	▼
Labor	Jobless Claims	▲	▲	●

▲ Stable ● Caution ▼ Warning ■ Featured in this issue

InvesTech Research

three times higher than their target that they would suddenly stop raising rates.

What if inflation falls? One of the arguments of the Fed pivot is inflation has peaked and will head lower.

If the monthly gain in inflation for every month from August through December equals the average monthly gain for the last 12 months, CPI inflation will end the year at 10%. If instead every month from August through December equals the average monthly gain for the last 36 months (which includes the shutdowns), CPI inflation will end the year at 8.4%. Neither of these would imply inflation will likely fall quickly.

The Fed won't pivot if inflation doesn't fall substantially.

But let's say they did.

During the Great Financial Crisis the Fed started cutting rates on September 18, 2007. From that first cut until their last on December 16, 2008 they had cut rates 10 times by a total of 4.75%. Meanwhile the S&P-500 fell 40% during their cutting phase and ultimately 57% from top to bottom.

During the Dot.com bear market the Fed stopped raising rates on May 16, 2000 and actually began cutting rates on January 3, 2001. They eventually cut rates 13 times from 6.5% to 1%. During those 13 cuts, the S&P-500 fell 28%. From the time they "pivoted" out of raising rates to the ultimate bottom, the S&P-500 fell 47%. From the time they started cutting rates to the ultimate bottom the S&P-500 fell 34%.

What can we garner from all these numbers?

A Fed "pivot" won't save your portfolio.

It's not too late to protect yourself.

What is your defensive plan? Attend a free seminar to hear about ours.

Yours truly,

Rial R. Moulton

Rial R. Moulton, CFP®, CPA / PFS, RFC
Certified Financial Planner™ professional

Donald J. Moulton

Donald J. Moulton, CFP®, RFC
Certified Financial Planner™ professional

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please ask them to send an email with their information and permission to be added.

Bear market rallies are normal and don't mean a bottom is in—recession odds are growing.

Weekly Radio Show Saturday Morning:

8:00 AM KXLY 920 AM
Spokane and Area

9:30 AM KFLD 870 AM
Tri-Cities and Area

Moultonwealth.com

SPOKANE

Quality Inn—North
BREAKFAST!
7919 N. Division —Spokane
Sept 21st @ 9:30 AM

TRI-CITIES

Hampton Inn
486 Bradley Blvd; Richland
Sept 28th @ 11:00 AM

- **How employing and consistently following a defensive system could help you to a better retirement.**
- The Secure Act tax law change could alter how you leave your retirement accounts!
- What happens when an economic downturn makes it difficult for companies to pay back their massive debt?
- Why Buy and Hold Investing was right for the 80's and 90's yet very wrong for today.
- Will inflation eat up your assets?
- How to potentially decrease taxes on your hard earned Social Security Income
- To Roth or not to Roth?

And so much more!

COMPLIMENTARY SEMINAR

For those 50 years old and older

Donald J. Moulton
Certified Financial Planner™
CFP®, RFC

MOULTON WEALTH MANAGEMENT Inc.

1220 N. Mullan Rd; Spokane, WA 99223

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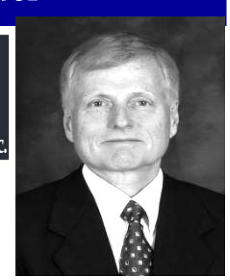

Rial R. Moulton
Certified Financial Planner™
CFP®, CPA/PFS, RFC

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Bear market rallies

A recession is closer than ever!

Spokane	*No Cost Seminars for Retirees and those close to Retirement*	**Richland**
Sept 21st @ 9:30 AM		**Sept 28th @ 11:00 AM**
Details Inside		***Details Inside***