



CAPITAL MANAGEMENT GROUP

The Hefter Report – July 2022

Despite the recent rally, in our view, the bear market may last a little longer. We think inflation is trending downward but could persist in the 4-6% range for the near future. If the Fed is satisfied with a 4% inflation rate, they may only have to raise rates one more time. If the Fed indicates a pause after the next increase, equity indices can rally further.

These expectations lead to what we believe will be a slow growth economy. If this is the case, we believe technology, growth and biotech may lead the market higher. Generally, even if stocks decline, when the economy slows, companies that are less dependent on the overall economy for growth historically do better. For example, a biotech company with new drugs can grow earnings, whereas auto sales could decline as consumers tighten up. However, we must be prepared for lower prices and more volatility in the short run.

As stated above, this week sees a Fed meeting with a 75-basis point hike expected and company earnings reports from Apple, Amazon, Alphabet and Microsoft. These two upcoming announcements will go a long way towards determining market direction.

In our judgement, regardless of what the Fed says now, a year from now markets will be higher and patient investors will likely be rewarded.

DISCLOSURES.

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