

DECEMBER 2021

MORAN MONTHLY DIGEST

Insights From Our Founder

A very Happy Holidays to you and your family! As you know by now, we shared some exciting news on December 6th: after a thorough and rigorous vetting process, we have selected BNY Mellon | Pershing to custody our clients' assets going forward and will no longer be affiliated with Wells Fargo Advisors Financial Network. After this transition, slated for April 2022, Moran Wealth Management will become a Registered Investment Advisor. We've highlighted the transition and benefits on page 4 of our newsletter. In the coming months, we will be sending you further communication regarding the details of the transition. We are confident that this will be a successful and exciting development for all of the families that we serve, and demonstrates our continued efforts to offer the highest level of service and expertise for our clients.

The equity markets appear somewhat extended and priced to perfection. Recent market action has been primarily driven by inflation-related concerns, with the Omicron Covid variant as a contributing factor. Questions remain in investors' minds over how the Fed will handle the tapering of bond purchases and subsequent interest rate hikes in 2022. Our view is that the Fed will likely end their tapering in the second quarter of next year, followed by two or three moderate interest rate hikes in the second and third quarters of 2022.

We look forward to welcoming you to our client luncheons this upcoming season. The first luncheon on December 6th at the Ritz Carlton Beach Resort was a great success! It was wonderful seeing so many of you there. We have three additional luncheons planned for 2022. Please see page 7 of the newsletter for dates and RSVP options. Finally, as the year draws to a close, you will also soon be receiving a mailing to elect your choice of wine, popcorn or a charitable donation as a thank you for the continued trust you have placed in us.

As always, please contact our office if you have any questions or if we may be of help in any way. It is our privilege to be of service to you and your family.

Cheers,
Tom



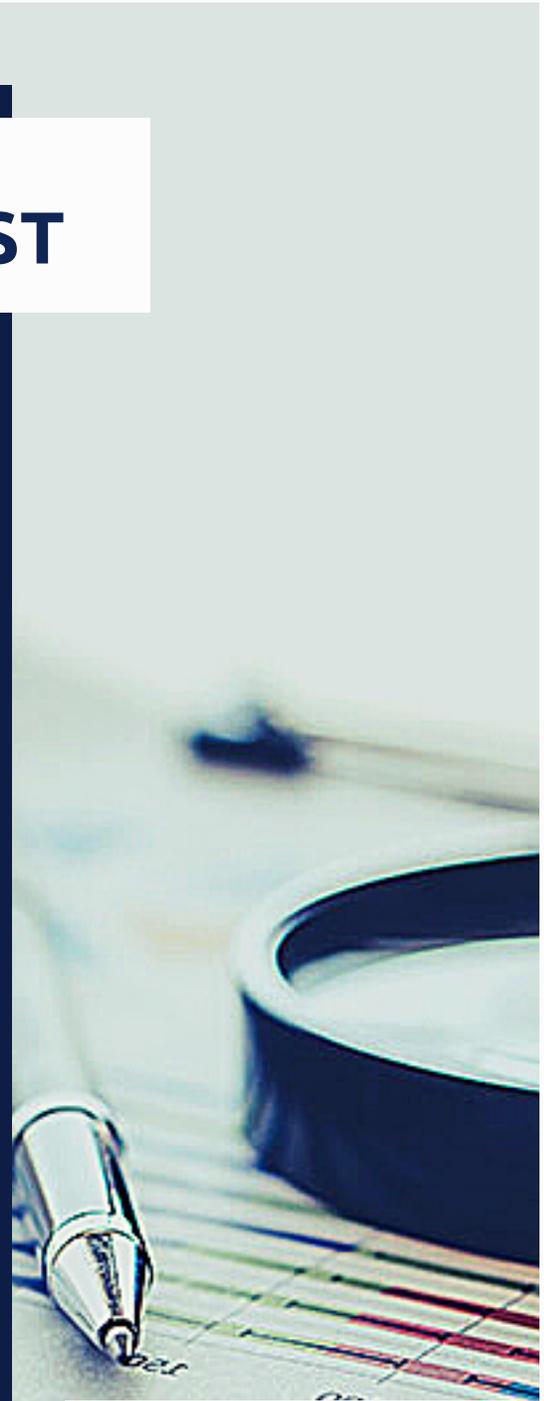
Thomas M. Moran AIF®
Founder, Chief Executive
Officer, Senior PIM
Portfolio Manager

WHAT'S INSIDE

Monthly Market
Commentary

What's New at Moran
Wealth Management

Upcoming Events and
Seminars





MONTHLY MARKET COMMENTARY

The first 10 months of this year felt like a barrage of mostly good news: GDP growing at 6%, gatherings with friends and family happening again, travel and entertainment returning at a rapid clip, Consumer Confidence at all-time highs, interest rates range bound, real estate prices skyrocketing and the stock market up almost 25%. But the old adage is true: the only thing constant is change! In this note, let's tackle what we view as the most significant changes and what might happen next.

Thinking on Covid

The new Omicron variant news hit front page on the Friday after Thanksgiving, resulting in a 2.3% drop in the S&P 500 for the day. We have no idea what the data will show on Omicron over the coming weeks. The news flow that we receive on Omicron could matter to the markets. If hospital numbers do not go up dramatically between now and year-end, this will likely be less impactful than it has been recently.

Thinking on Inflation

The Monday following the Omicron news, Federal Reserve Chairman Jay Powell changed his stance on inflation not being a long-term problem, "retiring" the word "transitory." Unsurprisingly, this led to a volatile post-Thanksgiving week in the equity and bond markets. For the last 15 years, inflation has been extremely low, running close to 1.75% as measured by the consumer price index (CPI). One of the two mandates of the Federal Reserve is stable pricing, with 2% inflation being nirvana for growth as a country. The Federal Reserve has spent over a decade trying to fight "deflation" and has gone to great lengths to avoid it. Then came Covid and our economy screeched to a halt, causing gross domestic product (GDP) to drop over 30%. Factories shut, travel and services stopped, and many workers left jobs to reassess home and family. Stopping is easy, starting back up is much harder. Once the vaccines became available in early 2021, pent up demand for everything took hold and dwarfed supply at a time when supply was still shut down or constrained. Hence, prices went up, in some cases drastically.

In September CPI hit 5.4%. The overall belief was that this would be about the peak of inflation. October CPI then came out at 6.2%. Whoa! On November 30, 2021, Chairman Powell in his testimony to Congress reversed course and said inflation is a problem; the market read that news as tapering should be much faster and interest rates may rise sooner. We have been and continue to be of the belief that inflation will be higher and last longer than many are thinking. The commodity component of inflation will likely cool off over the coming months, but it is wage inflation that is more durable and tougher to beat down. Hard to take back a raise. All of this matters because wage, rent, and commodity inflation is the underpinning of the direction of interest rates.



continued...

Thinking on Interest Rates

Both the direction of interest rate movement and the starting point (absolute level) are critical in trying to assess the “crystal ball” question about where markets are headed. We started 2021 at close to a 40 year low on rates, with the 10 year at 0.9%. Throughout most of the year, rates have been rather range bound at 1.40-1.75%. With the extraordinary fiscal and monetary stimulus that has been injected into the economy due to Covid, and with CPI releases in the 5-6% range as discussed above, the truly astonishing fact is that rates have not reacted. We believe that, following an accelerated taper by the Federal Reserve, we will see Interest rates moving higher in the second and third quarters of 2022. This translates to losses in bonds of all varieties. For the stock market, it is just plain math: a dollar of company earnings in the future is worth less in today’s dollars if you raise interest rates. So higher rates are a negative for both the stock market and the bond market.

Thinking on activity in Washington

In October the market corrected almost 5% due to concerns of excessive fiscal spending (both the infrastructure bill and the social infrastructure bill), the corresponding need to raise taxes to pay for them, and the possibility of a struggle to raise the debt ceiling. Increased taxes is a potential headwind for corporate earnings, consumer spending, and overall GDP growth. Not the best environment for the stock market.

Thinking on what to do

It has been almost two years of living with Covid and all the aftereffects. The S&P 500 is up 41% since the start of 2020, with the dramatic Covid pullback a distant memory. The question is... what to do now? We believe that the next several months will likely continue be a decent environment for the stock market. Seasonally, the end of December and the first quarter of the New Year is the best time of the year for the market. There is still a mountain of liquidity in the system and that will not go away overnight. However, elevated inflation, interest rates moving higher, lingering Covid and a stock market that is at the higher end of its range in terms of valuation are the reasons to be a bit more cautious as 2022 progresses.

Charles E. Chesebrough, Jr. CFA®
Senior Vice President



TRANSITION TO NEW CUSTODIAN BNY MELLON | PERSHING

We are excited to announce after a thorough and rigorous vetting process, we have selected BNY Mellon | Pershing to custody our clients' assets going forward. After this transition, Moran Wealth will become a Registered Investment Advisor and no longer be affiliated with Wells Fargo Advisors Financial Network.

- Pershing, a wholly-owned subsidiary of BNY Mellon Bank, is one of the world's largest custodians and oldest banks in the United States.
- Demonstrates our continued efforts to offer the highest level of service and expertise for our clients.
- Benefit from an increased level of personalization, including technology, reporting and services provided.
- Same attentive Moran Wealth Management team; there will be no disruptions to your dedicated financial advisors and client service associates.

We will be working closely with the BNY Mellon | Pershing team to ensure a smooth transition with as minimal disruption as possible. We are targeting the beginning of the second quarter of 2022 for our transition. In the coming months, we will be sending you further communication regarding the details of the transition.

IMPORTANT REMINDERS REGARDING REQUIRED MINIMUM DISTRIBUTIONS (RMD)

Required Minimum Distributions (RMDs) are back for 2021. The deadline is December 31 of this year, or April 1, 2022 if this is your first mandatory distribution from your IRA. There are significant IRS penalties for missed distributions, so our goal is to have them all processed by mid-December. If you would like to process your distribution from an IRA account with Moran Wealth Management, please let us know as soon as possible.

- If we have processed a distribution for you in the past, we may already have the necessary paperwork on file to proceed in accordance with those specific instructions.
- New paperwork is required if the tax withholding election needs to be changed.
- You may elect to donate to a charity directly from your IRA, also known as a Qualified Charitable Distribution (QCD). We would be happy to discuss the mechanics with you if you are interested to learn more. The gift should be received by the charity before December 31 in order for it to be counted on your 2021 tax return, so we recommend initiating the request early to ensure timely processing.
- Consider year-to-date capital gains in your taxable accounts. Has your CPA advised to limit gains from your investment portfolio due to other income this year? With anticipation of potentially higher capital gains tax rates in 2022 and beyond, some of our clients have decided to realize more capital gains in 2021 than they have in previous years.

Everyone's situation is different. If you have questions about end-of-year financial planning, we are always here to help. Call us today at 239.920.4440.

FEATURED STRATEGY: **CONSERVATIVE GROWTH (CGRO)**

Seeks long-term capital appreciation and current income.

- [Factsheet](#)
- [Risk Statistics](#)

RECENT MARKET **RESERACH**

Click link above or visit our website under "Resources".

GET TO KNOW: ADVICE & PLANNING TEAM



Pictured from L to R: Aaron Simpson, CFP®, CLU®, ChFC®, RICP®, Senior Vice President; Margaret F. Karr, Vice President; Charles E. Chesebrough, Jr. CFA®, Senior Vice President; Michael Mongin, Senior Vice President; Kylen Moran, Senior Vice President and Chief of Staff; Donald Drury, President; Julie Rich, Vice President - Investments, Financial Advisor; Corey Grant CFP®ChFC®, Vice President; Ryan Frank CFP®ChFC®, Vice President.

We provide our clients with comprehensive wealth management services, including guidance and advocacy across investment management and planning, estate and investment planning, asset protection strategies and life insurance.

MORAN WEALTH MANAGEMENT CENTER FOR FINANCIAL EDUCATION

UPCOMING EVENTS AND SEMINARS

Private Client Luncheons

Ritz Carlton Beach Resort

280 Vanderbilt Beach Road, Naples, FL 34108
12pm - 2pm ET

Friday, January 14, 2022

at capacity

Wednesday, February 16, 2022

availability

Thursday, March 10, 2022

availability

Please call 239-920-4431 to RSVP for
February and March 2022 dates.

CONTACT INFORMATION

<https://www.moranwm.com>

5801 Pelican Bay Blvd

Suite 110

Naples, FL 34108

239.920.4440 | 800.240.0536