MORAN
WEALTH MANAGEMENT®

APRIL/MAY 2022

MORAN MONTHLY DIGEST

Insights From Our Founder

We are very excited to announce that we have begun to transition the custody of our clients' assets to BNY Mellon | Pershing, as we move to being a Registered Investment Advisor. I'd like to take a moment to thank my team, particularly Ashley Buboltz, Ryan Frank, Angel Nurse and Corey Grant, for their acute focus on ensuring this transition is as simple and smooth as possible for our clients. We will soon be reaching out to you individually with next steps. Please contact your advisor if you have any questions or concerns about the transition.

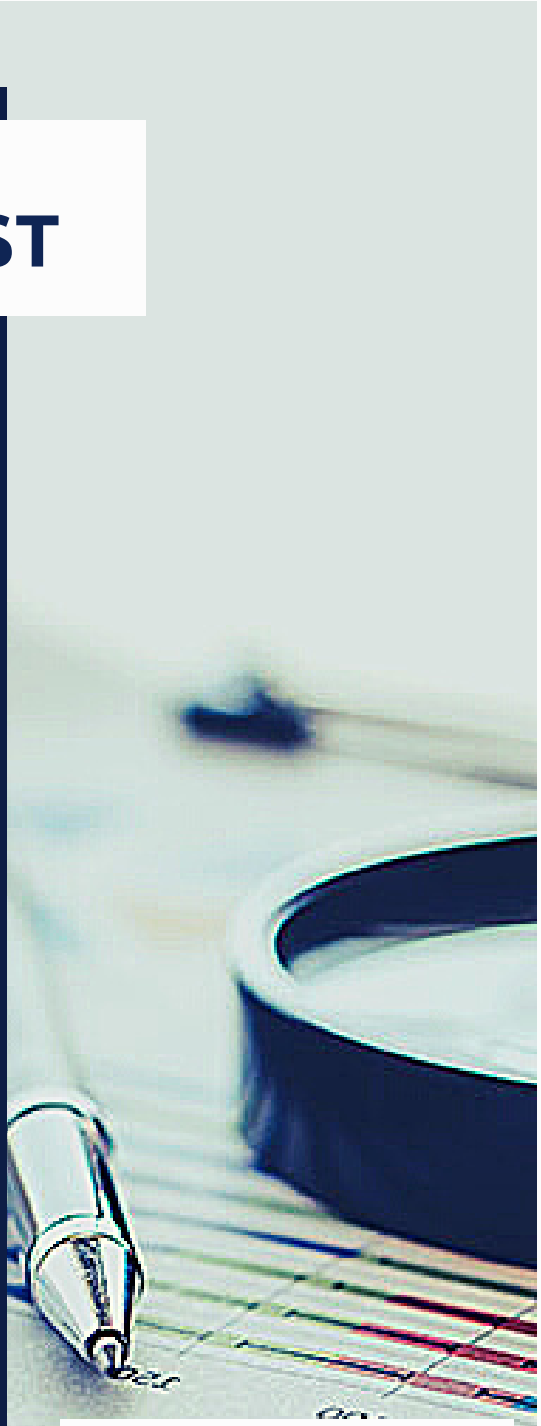
Thomas M. Moran AIF®
Founder, Chief Executive Officer, Senior PIM Portfolio Manager

Market volatility in March and April has been driven by investors' continued concerns with (1) increasing inflation and the future of interest rates hikes; (2) the yield curve and what that means for a potential recession; and (3) the ongoing war in Ukraine. Fundamentally speaking, the market is strong. The consumer's balance sheet and spending power remain healthy. Corporate earnings are holding up in the first quarter and analysts expect earnings to keep growing in 2022, despite increased costs from high inflation and continued supply chain issues. How inflation and tightening monetary policy, the shape of the yield curve and the Ukraine war play out will ultimately influence how the market performs in 2022.

As always, we keep a close eye on the markets and tactically adjust our strategies and allocations. We are cautiously optimistic in the near-to-intermediate-term, anticipating returns that are roughly flat for the year. Later next year, in the third quarter of 2023 and into 2024, we believe there could be a recession similar in scale to the brief recession we experienced in 1990. That being said, we have positive conviction in the equity markets and recommend to our clients to stay the course.

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



WHAT'S INSIDE

MONTHLY MARKET COMMENTARY

PUTTING IT ALL INTO PERSPECTIVE

YES, IT IS CONFUSING...

There is no question that this is an unprecedented time in our history for families, employers, employees, health care providers, travel agents and the markets. Time will tell the long-term implications of the COVID-19 global pandemic. In the short-term, we are already seeing the effects that this pandemic is having on our economy and our markets, namely through increased market volatility, higher inflation and supply chain disruptions.

Historically, the markets strive to price in the worst possible outcome as quickly as possible and then move on. The S&P dropped 13% at its low in March 2022 and the NASDAQ entered "bear market" territory by dropping 22% from its peak. From our vantage point, the market is attempting to price in the negatives and reach a more stable ground.

We are now acutely aware of the real consequences from the $10 trillion of stimulus pumped into the economy. Inflation just tipped 8.5% year-over-year, the supply chain is jammed and workers are hard to find. Now, interest rates are finally reacting with the 10-year treasury yield moving from 1.6% to 2.9% since the beginning of the year. Then, on April 1, 2022, we briefly saw the 2-year Treasury note top the 10-year Treasury note at 2.44% versus 2.38%, a phenomenon known as an inverted yield curve. Essentially, this means that investors have a pessimistic long-term outlook on the economy and are willing to pay a premium on short-term bonds. Historically, five out of the last six recessions were proceeded by an inverted yield curve with a lead time on average of 19 months. Adding to the volatility, the Russian invasion of Ukraine and the unfolding humanitarian crisis is not helping the psyche of the U.S. consumer or investors. Is it any wonder why the equity markets are volatile?

...NO, IT WILL NOT BE RESOLVED OVERNIGHT.

We have not seen high inflation in over 40 years. By definition, inflation occurs when too much demand is chasing too little goods and services, making prices go up. This pandemic-induced inflation that we are witnessing now is very similar to post-WW2, where an outside event caused a massive demand for goods at a time when much of the supply was scarce or

MONTHLY MARKET COMMENTARY, CONT.

could not keep up. A total misalignment! COVID-19 caused a massive shutdown of manufacturing and logistics, putting severe strains on labor on a global basis. Opening it back up quickly proved extremely difficult. We have to remember, this will take time. Inflation will be a challenge to resolve quickly. The Federal Reserve is predicted to raise interest rates 6-8 times over the coming quarters to put on the brakes. But, higher interest rates do not necessarily fix a supply chain or create more truck drivers. It only weighs on demand.

BUT, WE SHOULD KEEP EVERYTHING IN PERSPECTIVE.

This country has proven resilient time and time again. With all of this confusion, we think it is important to remember a few points:

- The U.S. consumer represents 70% of gross domestic product (GDP). The consumer balance sheet is strong. In fact, consumer net worth is the highest ever at $150 trillion, up from $110 trillion at the start of the COVID-19 pandemic. The consumer has been forced to be dormant for 2 years and now has a strong desire to spend. Over $2 trillion of excess savings accumulated during this pandemic. There is a lot of momentum in the economy!

- Our corporate balance sheets and our financial institutions are the strongest they have been in decades. In fact, banks are currently reporting reserve releases (they over-reserved for credit losses) as they have too much required capital.

- Though our politics can appear acrimonious at times, we are a strong democracy.

- We are blessed with an abundance of natural resources (food and energy) quite unlike many other countries that are extremely dependent on others.

- We are the most innovative country on the planet. The degree and quality of education, innovation, research and entrepreneurship is unparalleled.

MONTHLY MARKET COMMENTARY, CONT.

WHAT TO DO?

We are still optimistic over the short-to-intermediate term. Hang in there! We think 2022 will turn out to be a decent year. The economy is strong and we are looking for GDP growth around 2.5-3.0% in 2022. Corporate profit growth should be around 10%. The market trades at a higher than average valuation, but it isn't overly frothy (19.5x vs 16x average). Interest rates are still very low relative to history and fixed income investing is difficult in a rising rate environment. Therefore, stocks are still preferable over bonds. We continue to call for a small recession towards the end of 2023 or early 2024, so considering a more defensive allocation toward the end of this year may be advisable for conservative investors. We favor more defensive and conservative styles at this part of the cycle like value and dividend-oriented equities. We believe investing is a long-term and disciplined process, and even though this is a confusing time, it is prudent to stay invested and not try to time the ups and downs in the market.

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

WHAT'S NEW AT MORAN WEALTH MANAGEMENT

Moran Wealth Management Named to Barron's Top 100 Private Wealth Management Teams for Second Consecutive Year

Tom Moran Named to Barron's 2022 Top 100 Financial Advisors List for 12th Consecutive Year

(1) The Barron's Top 100 Financial Advisors rankings are based on assets under management, revenue generated for the advisors' firms, and the quality of the advisors practices. Investment performance isn't an explicit factor because clients have varied goals and risk tolerances.
(2) The 2022 Barron's Top 100 Private Wealth Teams are evaluated on a range of factors for the Financial Advisor and their team, who specialize in serving individuals and families. Factors included in the rankings include their size and shape, the regulatory records and credentials of their members and the resources they have at their disposal to serve their client bases.

WHAT'S NEW AT MORAN WEALTH MANAGEMENT

CLIENT NOTICE!

Transition to BNY Mellon | Pershing

We are working closely with the BNY Mellon | Pershing team to ensure a smooth transition with as minimal disruption as possible. We have started transitioning client accounts and in the coming months, please expect further communication from our team regarding the details of the transition.

In the meantime:

- Please review the emails you have on file for your contacts at Moran Wealth Management. Please ensure that all emails end with our "@moranwm.com" domain name versus "@wfafinet.com". The "@wfafinet.com" domain name will not work after our transition. All phone numbers and addresses will remain the same after we move to Pershing | BNY Mellon.
- Please ensure that you have online access setup at Wells Fargo Advisors Financial Network. This will help facilitate a smoother transfer for you because Wells Fargo Advisors Financial Network will continue to host your historical documents. If you need assistance setting up online access, please call 239-920-4440.

WHERE WE GIVE

At the core of our philosophy is the belief that responsible stewardship of wealth includes giving back to the community. At Moran Wealth Management, it is our privilege to support incredible charities and non-profit organizations through both event sponsorships and volunteer efforts. Learn more about some of our beneficiaries and their missions here.

Featured Charity:

Special Olympics of SWFL

Founded in 1972, Special Olympics Florida provides year-round sports training, competition, leadership and health services to children and adults with intellectual disabilities, at no cost to the athletes or their caregivers, as a means to achieve physical fitness, self-esteem, socialization skills, and the life skills necessary to be productive, respected and contributing members of their communities.

MORAN WEALTH MANAGEMENT
CENTER FOR FINANCIAL EDUCATION

We will resume seminars following the completion of our transition to BNY Mellon | Pershing

CONTACT INFORMATION

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