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Rick Reagan: Navigating Markets in Uncertain Times

Cazenovia Forum

Cameron Hovater

Mr. Reagan sectioned his speech into three main points: How Covid affected the economy, How the FED is attempting to slow inflation, and some positive points and smart investments for the current and future US economy.

The Covid-19 pandemic caused large amounts of businesses to close and many Americans to be out of work. To combat this, the government issued stimulus checks to US citizens, which increased the amount of disposable income held by the US citizen. With more money chasing fewer products, inflation took hold of the economy. Purchases of goods skyrocketed, and companies that employed Just-In-Time manufacturing practices were unable to keep up. This is what caused massive shipping delays and raises in prices of goods and shipping. During the lockdown period inflation was purely driven by goods, but when lockdown was lifted, consumers shifted their spending habits to the services, particularly travel and entertainment, that they had been denied during lockdown. Demand for these services drove prices up, and extreme demand for services is the main cause of the inflation that lingers today.

There is also a lingering concern about the labor market, which still holds 10.2 million job openings for a mere 5.5 unemployed people, which begs the question: where are the rest of the people who have no jobs, but are not unemployed. Two main groups of people who have left the workforce are retirees and immigrants. The population of legal immigrants dropped around 2.1 million people, and the rate of retirement among those who were eligible rose significantly.

The Federal Bank, or FED is responsible for controlling the money supply, which has a great impact on inflation. To try to beat inflation, they have been raising the Federal Funds rate (the rate at

which banks loan money with each other) at a record pace. This means that interest rates on loans have been climbing very quickly, and consumers have not been taking out as many loans as before. This has led to a drop in total household savings from \$2.1 trillion to \$700 billion. Less saving means less money in the economy, or M2, which is a sign of lessening inflation. Other positive outlook points are the slow but steady decrease in prices of commodities, increases in immigration, and the positive trajectory of the S&P 500.

With these statistics pointing to a healthier market for the future, Mr. Reagan suggests long term bonds and buffered ETFs as safe investments, as well as stocks in the technology industry, especially AI focused companies, and US defense stocks.

Mr. Reagan believes that we are almost out of the inflation and poor market brought on by the Covid-19 pandemic, and that this is a good time to begin to invest again.