NELSONCORPNEWS

JUNE
2022

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TABATHA WESTPHAL


RANDY RICHARDS

HAPPY FATHER'S DAY!

Many words have been written about fathers. Some of the greatest thinkers and writers have taken the time to pen their thoughts on fatherhood, most with much greater depth and skill than I have. So for this Father's Day, I thought you'd enjoy reading some of the most famous quotes about fathers.

"When I was a boy of 14, my father was so ignorant I could hardly stand to have the old man around. But when I got to be 21, I was astonished at how much the old man had learned in seven years."

– Mark Twain

"The greatest mark of a father is how he treats his children when no one is looking."

– Dan Pearce

"He was there when I didn't understand, he was there when I was wrong, he was there when I cried, he was there when I lied. For some reason, my dad was always there when I needed him the most. His love was never ending."

– Michael Jordan

David Nelson

CONTENTS

THINGS TO NOTE

Our new office on Utica Ridge Road (Enter off Victoria Avenue) in Davenport is now open and we are meeting with clients there.

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Congratulations to the Steigerwald's! They are now a family of 5!

Joseph Kasper and Thomas Nelson were born May 19th, too excited to miss out on life with their new family! They're getting extra love and outstanding care in the NICU and Mike, Catherine and big brother, Willy, can't wait to bring them home in the coming weeks.

NelsonCorp Nuggets

Student loan debt in the United States was 84% larger than the credit card debt nationwide as of 12/31/21, i.e., $1.58 trillion to $860 billion.

Source: Federal Reserve Bank of New York

THE DAD IN THE DINOSAUR COSTUME

Back in March, a train from Ukraine arrived in Poland. Inside were dozens of tired, hungry children fleeing the war. I have no idea what the kids expected to see when they arrived at the station, but the sight that greeted them was certainly not it.

Standing there, on the platform, was a Tyrannosaurus rex.

A T-rex with lollipops.

This is exactly the sight that hundreds of kids have seen since arriving as refugees in Poland. A dinosaur offering lollipops, chocolates, and coloring books to kids who have spent weeks being hungry, tired, and scared. Some of the kids try to grab as much as they can before running away – it's a T-rex, after all. Others approach the dinosaur warily, asking permission before taking any of the sweets. But most kids smile and laugh and hug the T-rex, because let's be honest who wouldn't want to hug a friendly dinosaur?

Of course, it's not really a dinosaur they're hugging. It's a man in a costume. More than that, it's a dad.

The father in question is Tomasz Grzywiński of Poland. Like most of us, he was heartbroken by the Russian invasion of Ukraine. Unlike most of us, his proximity to the war meant he could personally do something about it. But rather than just donating money, or giving out supplies, Tomasz decided to do both – while giving out smiles, too.

"The kids need smiles," Grzywiński explained. "They stay at the train station for two days sleeping on the floor. It's devastating."[1]

So, he did what all the best dads do: Jump into help, while also bringing a little silliness along the way. Together with his 7-year-old, Tomasz made hundreds of sandwiches, bought $100 worth of candy, donned a dinosaur costume, and headed down to the train station. And while doling out sweets and smiles, he did what so many dads do with their kids:

Blink tears from his eyes while pretending not to.

"It was deeply touching," Grzywiński told a journalist. "I seriously started to cry for 10 minutes because of what I saw there, but luckily, I'm in the costume and they don't see that."

Soon after a video of the candy-giving dinosaur went viral, other people in costumes – many of them dads – began showing up at other train stations. Says Grzywiński:

"I hope 100 dinos are going to go from every city and do it... because the whole point is to get kids to smile."

When I came across this story, I immediately thought of the upcoming Father's Day. Why? Because it reminded me of something that makes many dads so special. The ability to put a smile on their child's face.

No two dads are alike, of course. Each brings different skills and talents, philosophies and mindsets to the task of parenting. But when I think of my own dad, or listen to other people talk about theirs, the same thing comes up time and time again. How our dads make us laugh. How we always turn to our dad when times are tough and we need a boost. How dad could turn the most boring road trip or tedious task into a fun and silly adventure.

Whether it's telling ridiculous jokes or transforming a blanket into a superhero's cape; building a treehouse or teaching us how to drive; relating a preposterous "big fish" story that somehow teaches us an important lesson or just saying the right word at the right time to lift our spirits, dads seem imbued with the ability to make life magical. The ability to make life fun. The ability to make life silly. The ability to make us smile.

When you come right down to it, that's what kids need, isn't it? As much as food and water, safety and shelter, education and exercise. Like Tomasz Grzywiński, the candy-giving dino-dad of Poland says: Kids need smiles.

So, thanks, dads, for all the smiles you've given us over the years. And on behalf of everyone at NelsonCorp, I'd like to wish you a happy Father's Day!

DEFENSE IN TURBULENT TIMES

Recently, I overheard two people discussing sports strategy. While praising their favorite team's defensive performance, one of them said something that stuck with me:

"Defense wins championships."

What a great line! Defense wins championships. The reason this stuck with me is because I've been thinking about defense while studying the markets recently. As you probably know, market volatility has been persistent since the middle of January. The S&P 500 has moved in and out of correction territory for the past two months, and the NASDAQ is technically in a bear market. (Quick reminder: A "correction" is defined as a drop of 10% or more from a recent peak, while a "bear market" is a drop of 20% or more.)

As you can imagine, this sustained volatility has a lot of investors concerned for the future. And make no mistake: it's clear that we are living in turbulent times right now. Some analysts are warning of a potential bear market across the entire stock market; some economists, meanwhile, are even forecasting the possibility of a new recession. 1 (Though it's worth noting this prediction does not seem to be the prevailing one among most economists.)

No one enjoys investing during times like these. But as your financial advisor, I decided to write this letter to assure you that we have a major advantage: We don't have to suffer from turbulent times. Because we have the ability to play defense with your portfolio.

And defense wins championships.

Let me explain what I mean by quickly recapping why the markets are so volatile. The various reasons are all interconnected, so we can untangle the knot of events fairly easily.

On Monday, April 25, health authorities in Beijing, China, rushed around the city to conduct as many COVID-19 tests as they possibly could. By the end of the day, they had tested almost 3.7 million people.2 Their goal? Identify and quarantine every infected person in the vicinity – so they could avoid the citywide lockdown that nearby Shanghai has been dealing with for the past four weeks.

The reason this matters is because the world depends on China for a lot of things: Foodstuffs, rare earth metals, computer chips, cars, steel, plastics, etc. The worry is that if China goes on lockdown again, production on all these items will plummet. That would throw a major wrench into global supply chains, which are still – still – struggling to recover from the pandemic.

This is something the world can ill-afford at the moment, especially given the ongoing war in Ukraine. Much of the world depends on both these countries for the goods they need. Wheat and neon gas from Ukraine, for example. Oil and natural gas from Russia. Thanks to this conflict, and due to the sanctions imposed on Russia as a result of it, it's now not only more expensive to buy certain items. It's more important to ship them, too.

All these supply chain issues, of course, have contributed to the rampant inflation we've seen this year. For example, take something as simple as chicken eggs. Russia exports a huge percentage of the components that go into agricultural fertilizer. When it becomes more expensive for farmers to buy fertilizer, the price of corn goes up. When the price of corn goes up, the price of chicken feed goes up. When the price of chicken feed goes up, the price of raising chickens goes up. That leads to higher-priced eggs, which is further compounded by higher oil prices making it more expensive to ship those eggs to the market and...well, you get the point.

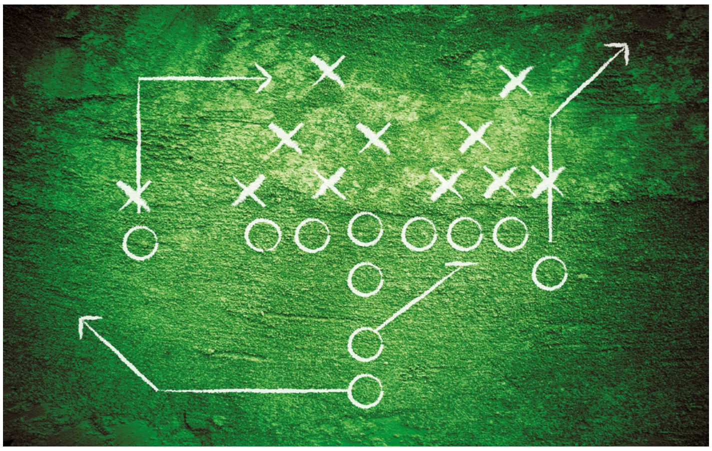
Understanding how the world's issues, like COVID and war, contributes to supply chain problems makes it easier to see how they also contribute to inflation. And what does inflation have to do with the stock market? Simple: Inflation doesn't just affect consumers. It affects companies, too. During periods of high inflation, it becomes more and more costly for companies to produce the products they sell. They can – and usually do – raise their own prices to compensate, but this can backfire if it leads consumers to go elsewhere. Either way, the company's profit margin suffers – which means they return less value to shareholders. Shareholders, in response, then start selling their stock, driving the price down. These are the reasons we've seen such sustained volatility in the markets – and why that volatility will likely continue for some time.

These are indeed turbulent times we live in, «Salutation». But here's the good news. If you look closely, nothing I've just explained to you is new, is it? We've been dealing with COVID since 2020; with inflation since 2021. In the last two years, we've lived through both a bear market and a recession and come out on the other side. We've been reading about supply chain issues for months; trade issues with China for years. The sources of today's volatility are largely the same as yesterday's.

Which means we know exactly how to deal with it.

As you know, when COVID first hit, we immediately moved to "play defense" with your portfolio. We accepted that growing wasn't the objective anymore – it was preserving capital. Over the years, we've honed our tactics to be able to move to defense whenever the situation demands it. My team and I will continue to monitor the situation, but we're prepared for the possibility of a bear market. Would we rather always stay on offense, seeking to find new opportunities to grow? Of course. But sometimes, the best way to move forward is to keep yourself from moving backwards. Sometimes, avoiding market pain is the best possible gain. Due to our use of technical analysis, and the systematic rules we have in place that let us know when it's time to buy and when it's time to sell, defense will be our objective whenever conditions warrant it.

Because defense wins championships.



DIFFERENT TYPES OF FUNDS

In the last newsletter, we looked at two categories of investment funds – passively managed funds and actively managed. Both come with their own pros and cons. But regardless which categories you choose to invest in, there are many types of funds within those categories. This month let's look at three of those types. This is important information to know, because many IRAs and 401(k)s will give you the option of choosing from at least two of them.

What Differentiates Mutual Funds, Exchange-Traded Funds, and Hedge Funds?

Let's start with mutual funds, one of the oldest and most common ways that people invest. Here's how the Securities and Exchange Commission (SEC) defines mutual funds:

A mutual fund is a company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. The combined holdings of the mutual fund are known as its portfolio. Investors buy shares in mutual funds. Each share represents an investor's part ownership in the fund and the income it generates.1

As we've already covered, mutual funds can be either actively managed or passively managed. Regardless of which umbrella the fund falls under, though, many investors flock to mutual funds because they offer several potential benefits:

Simplification. Mutual funds can simplify the process of investing because instead of devoting time to researching dozens – or even hundreds – of individual companies to invest in, the fund does it for you. (Note, of course, that you or your financial advisor should still research which fund is right for you.)

Diversification. Mutual funds often invest in a wide range of companies and industries to meet the funds stated objective. This could lower your overall risk. This means that if one company/industry does poorly, you may not experience the same kind of loss you would if you invested all your money in that company or industry.

There are potential issues with mutual funds, though. For example, sometimes, it can be difficult to understand what or how the fund actually invests (Mutual funds can differ drastically depending on their objectives, investing style, time horizon, and other factors.) Mutual funds are required by law to provide a prospectus to investors that explains how the fund works, but if you don't know what you're looking at, this information may confuse more than enlighten. This is why it's important to do your homework. (And by the way, everything in this paragraph is true for ETFs and hedge funds, too.)

Mutual funds can also sometimes come with more expenses than other funds, too. They might include management fees, purchase fees, redemption fees and tax costs. These expenses can eat into your returns, thereby lowering your overall profit.

Finally, mutual funds may not be a great choice if immediate liquidity is a high priority. All mutual fund trades run at the end of day. So, for example, if you wanted to sell a mutual fund at the beginning of the day, hoping to avoid what you think the market will do, you will still get the end of day price. For this reason, some investors turn instead to...

Exchange-Traded Funds

ETFs, as they are often called, can be actively managed. More often, however, they track the companies in a specific index, just like an index fund. (See my last letter for more information on index funds.) Otherwise, ETFs differ from mutual funds in a few ways. For one thing, the shares each investor has in an ETF can be traded on the open market. That means you can buy or sell your shares in an ETF just like you would an individual stock. You can't do that with regular mutual- or index funds. That's a big advantage for investors who value flexibility and liquidity.

Most ETFs also come with lower expenses than mutual funds. 2 ETFs fully disclose all holdings held. This makes it easier to see exactly what you are investing in. It also makes it easier to see where you have overlap.

But of course, nothing's perfect. Since ETFs can be traded like common stock, that might lead to trading too often. You may find yourself paying more than you anticipated in trading fees. Then, too, some ETFs are thinly traded, meaning there's just not a lot of activity between buyers and sellers. This could make it difficult to sell your shares.

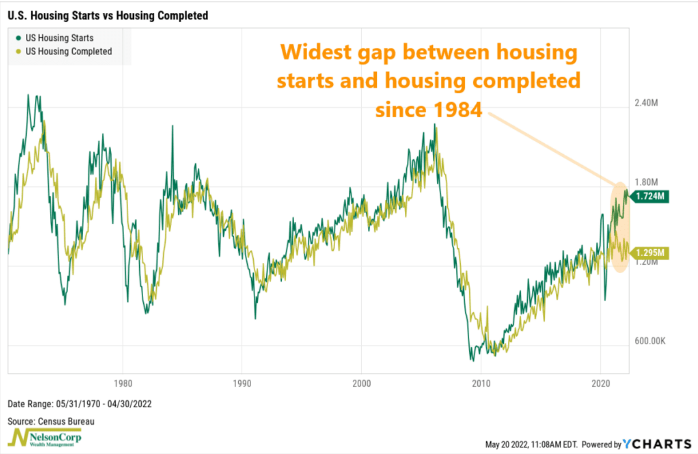
Hedge Funds

Most people will never invest in a hedge fund. They're generally not an option when investing through a 401(k) or IRA. But I include them here because I often get asked about them – and for good reason! You often hear about hedge funds in the media, and they're the subject of multiple films. While mutual funds and ETFs can be either passive or actively managed, hedge funds are always active. The idea behind hedge funds is that the manager can use all sorts of strategies and tactics to help investors beat the market while "hedging" – hence the name – against risk. Hedge funds often invest in non-traditional assets beyond stocks and bonds, too.

The reason hedge funds are not an option for most investors is because of the huge cost associated with them. Legally, to invest directly in a hedge fund you must be an accredited investor. Meaning, you must have a net worth of at least $1 million or an annual income over $200,000 to invest in one. Plus, you must be willing to stomach paying all sorts of fees that are much higher than your average mutual fund. For these reasons, while hedge funds may be right for some people, they're simply not necessary for the average investor to save for retirement or reach their financial goals.

Whew! I've thrown a lot of information your way over the past few months, haven't I? That's why next month, we're going to look at the most important question of all: How to know which investment options are right for you. Have a great month!

NOT FINISHING

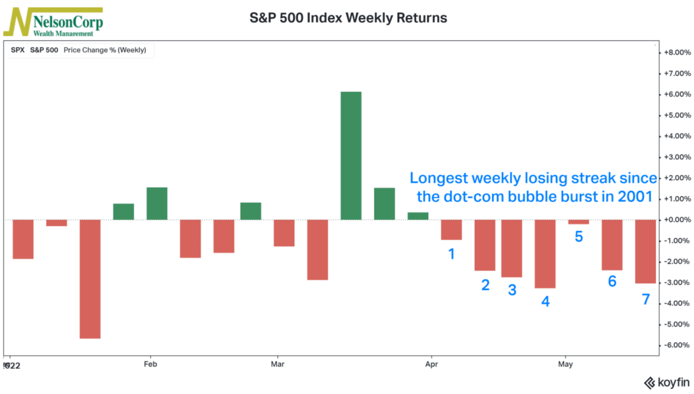


You've heard the saying: Don't start something you can't finish. Well, it appears that U.S. homebuilders are not heeding that advice.

As the chart above shows, the gap between the number of new home constructions started and the number of new home constructions completed has grown wider in recent months. In April, there were 1.724 million new housing starts compared to just 1.295 million new houses completed. That gap of roughly 429,000 homes is the most since 1984.

Why is this happening? A combination of a labor shortage and supply chain snags are mostly to blame. The housing market is also very sensitive to rising interest rates. The 30-year mortgage rate in the U.S. is about 5.3% currently, up from roughly 3% a year ago.

LOSING STREAK



The U.S. stock market had a rough patch in April and May.

The chart above shows the weekly returns for the S&P 500 this year. The index closed lower for its seventh week in a row in May.

You would have to go all the way back to 2001—in the midst of the dot-com crash—to see a weekly losing streak that long. The good news is that after all these relentless declines, stocks are starting to look cheaper relative to their underlying earnings.

The bad news, however, is that this sort of price action tends to be followed by periods of weaker returns for at least a few more months.

NELSONCORP MEDIA APPEARANCES

Make sure to catch our weekly educational content featured on television, radio, and the local paper. If you missed any of it, it is availalbe on our website at www.nelsoncorp.com.

On 4 Your Money in May we covered many topics. David Nelson talked about rising labor costs and the impact that might have on inflation. James Nelson talked about the sharp rise in mortgage rates and where we expect that to have the most impact. David Nelson discussed the turmoil we have seen in the stock market and what that might mean for the rest of the year. Then David wrapped up the month discussing the YTD weakness in the bond market and what the outlook there looks like.

4 Your Money airs Tuesday mornings on FOX 18 News at 8am and on WHBF CBS Local 4 News at around 6:10pm.

On Financial Focus, David Nelson discussed interest rates, investment strategy and tax planning. Nate Kreinbrink introduced Mike Steigerwald to the show, NelsonCorp's new Operations Manager and they talked about Mike's previous roles and what he brings to the table for us. Nate and Andy Fergurson talked about some of the new tax laws that are coming to Iowa. Then Nate and James Nelson wrapped up the month talking about the importance of having a financial plan that considers all aspects of a retirees life.

Financial Focus airs every Wednesday at 9:00 am on KROS FM 105.9 and AM 1340.

In the Clinton Herald recently David Nelson has written about the challenge that the Federal Reserve faces in trying to engineer a soft landing, where they attempt to raise interest rates in order to tamp down demand, but not in a way that lack of demand tips the economy into a recession..

CLINTON HERALD

David Nelson is a guest columnist every 1st and 3rd Saturday in the Clinton Herald.

RISING RATES

Imagine Rip Van Winkle woke up from a two-year nap and cornered you on the street. “What's been happening?” he asks. “What did I miss?”

After catching him up on the last two years – COVID, the presidential election, Russia invading Ukraine, Will Smith slapping Chris Rock at the Oscars, etc. – he asks you: “By the way, how are the markets doing?” (Rip Van Winkle's an investor, too, after all.)

Taking a deep breath, you say, “Well, the Dow dropped over 1000 points on Thursday, May 5.” (Which, as you probably know, it did.[1])

Rip stares at you in surprise. “How?” he asks. “Why?”

Do you know what you would tell him? Do you know what your answer would be?

Well, here's how I would explain what's going on in the markets right now. I would say there are four things that he – and all investors – need to know. Let's go through them one by one.

1. Inflation is the highest it's been in decades

Between March 2021 and March 2022, inflation in the United States rose 8.5%.[2] That's the fastest 12-month pace since 1981.

One of the root causes of this rampant surge in prices remains the pandemic. Thanks to COVID, it became more expensive both to produce and ship a variety of goods – everything from computer chips to furniture. Before these supply chain problems resolved, though, the lockdowns and social distancing measures used earlier in the pandemic began to loosen. That caused consumers – buoyed by increased wages and lower borrowing costs, which we'll get to in a moment – to spend more and more on goods and services. The simultaneous occurrence of skyrocketing demand and short supply drove prices up almost across the board.

COVID has also affected inflation in other ways. For example, wages have gone up in multiple industries due to a shortage in workers. That shortage has given many workers more say as to where, when, and how they work. To compensate for the increased expense of paying their workers, many companies have raised prices on the goods and services they provide.

The pandemic has also indirectly driven up home and rental costs. When COVID broke out, the Federal Reserve made it practically free to borrow money by lowering interest rates to near zero. This was to encourage people and businesses to spend money rather than save it, thereby buoying the economy. This indisputably worked, but it brought several side effects. One such was that making it easier to buy a home led to a rise in demand for homes.

This escalating demand, naturally, led to higher and higher property values. (The U.S. housing market grew by $6.9 trillion in 2021 alone.[3]) But we've come to a point where home prices rose so high that, for many people, buying a house just wasn't feasible even with low interest rates.

Instead, they looked to apartments. The result? Rental costs are now the highest they've been in two decades.

Other developments haven't helped inflation. The war in Ukraine, and the sanctions placed on Russia, have driven prices up further on commodities like oil, gas, precious metals, wheat, and corn. New lockdowns in China, thanks to another wave of COVID cases, has snarled supply chains even further.

“Okay,” Rip Van Winkle says, “inflation is bad. What are people doing about it?”

2. To tamp down on inflation, the Federal Reserve announced its biggest interest rate increase in 22 years

On May 4, the Federal Reserve announced it would lift interest rates – more specifically, the federal funds rate – by a half-percentage point.[4] That may not sound like much, but it's the biggest single rate increase since 2000.

Essentially, what the Fed is trying to do here is cool down inflation. As we mentioned, low interest rates prompted people to keep borrowing and spending even during the worst of the pandemic. With higher interest rates, the idea is to reward saving over spending. If Americans spend less and demand goes down, companies then have little choice but to lower What Is the Federal Funds Rate? their prices if they're to attract new business.

The federal funds rate is essentially Lower prices, of course, means lower inflation. the interest rate that banks pay each other for overnight loans. When the History shows that raising interest rates is an effective way rate goes up, it costs more for banks to tamp down on inflation. For example, from roughly 1965 to loan each other money, so in through 1982, inflation soared to almost unimaginable response, banks raise their own levels, peaking at 13.5% in 1980.[5] (That's almost double interest rates. That's why, when the what we're at today.) To combat this, then-Fed chairman Federal Reserve raises the federal Paul Volcker initiated a policy of dramatically higher funds rate, it eventually affects interest rates. At one point, the federal funds rate rose over consumers and small businesses 19%![6] The policy did its job, with inflation falling back to whenever they apply for a loan. more “normal” levels by 1983.

Unfortunately, while using higher interest rates to cool inflation works, there's a downside. It's sort of like performing surgery with a blunt instrument instead of a sharp one. Why?

Because it often leads to a recession.

Now, before I go on (I would say to Rip), understand that I am not predicting a recession. Predictions, as you know, are a fool's errand. Nor is it guaranteed that higher interest rates will cause a recession. But there's also no use pretending that history doesn't exist. And history has several examples of the Fed's “fight inflation with interest rates” strategy leading to an economic contraction.

Whether you're a gymnast or

an airline pilot, landings are hard. But what economists call a "soft landing" is exactly what the Fed is hoping for. What is a soft landing? It's when consumer spending and economic activity slows down enough to lower inflation, but not so much that the economy stops growing and businesses start laying off workers.

The problem is that there's little margin of error to work with. For example, take Paul Volcker's war against inflation in the early 1980s. It worked, but at the cost of a "double dip" recession from January-July 1980 and July 1981-November 1982. (At one point during the latter downturn, unemployment rose as high as 10.8%.[7]) More recently, the Great Recession can be seen as a kind of "hard landing," in part due to the Fed's attempt to cool the US housing market. But there were many reasons for the Great Recession that had little to do with interest rates.

On the other hand, the Fed has "stuck" the landing at least once, in 1994-95. Back then, the Fed doubled interest rates to 6%.[8] While there were side effects, the country managed to avoid an economic recession.

Historians and economists debate whether other periods of tightened monetary policy led to hard or soft landings, so we'll leave that discussion to them. All our drowsy friend Rip needs to know – besides how to use Zoom – is that the Fed is currently walking a tightrope, with high inflation on one side and high unemployment on the other. Time will tell whether the central bank can keep its balance. Much will depend on just how much the Fed raises interest rates, as well as how long global supply chain issues last. (Most economists expect rates to rise to around 3% by the end of the year.)

"So," Rip Van Winkle says, between sips of much-needed coffee, "is that why the markets are going haywire? Because of a recession?"

3. Investors are trying to digest what this means for stocks – and for the economy.

As you know – but Rip needs to be reminded of, as he's been asleep – the markets move less on what's happening now and more on what they expect to happen in the future.

The volatility we've been seeing is proof of this.

The markets are trying to deal with a hard truth: The era of "free money" is over. Interest rates not only went to near zero due to the pandemic; they've been at historic lows for most of the last twelve years. Why is that important? Because super-low interest rates weaken government bond rates. That leaves investors searching for higher returns with little choice but to plow their money into stocks, which helped propel a historically long bull market that ended only when the pandemic hit. (But then resumed just a few months later.) So, higher rates are something the markets will simply have to adjust to.

It's important that Rip understands this point about expectation, though. Expectation is why we don't overreact to daily market swings, even extreme ones. Because at any point, expectations could change. Positive news out of Ukraine or China could do it. A strong jobs report could do it. Lower oil prices could do it. So, as long-term investors, what we're really looking at right now is not short-term volatility, but long-term developments that will impact our long-term strategy.

Which leads me to the last point Rip should know (other than "murder hornets" being a thing now).

4. We knew this was coming – and we're prepared for it!

To someone like Rip Van Winkle, waking up to a new world, this all might seem shocking, bewildering. After all, none of these storylines were around when he fell asleep in early 2020! But for us, none of these stories are new. None of it is unexpected. Which means none of it has taken us by surprise.

The rest of 2022 is going to be an interesting one. Headlines – economic, financial, political – will continue to raise eyebrows, stir debate, and even cause angst. But our long-term strategy accounts for both high inflation and higher interest rates. After reviewing everything, which we do on a regular basis, my team and I remain convinced that we're positioned exactly the way we want to be to move closer to your long-term goals.

So, the last thing you should know, is to go enjoy the upcoming summer. After all, you haven't been asleep these last two years. Neither have we. Our eyes have been open the entire time.

And the last thing we should tell Rip Van Winkle? Get to work, friend.

You've got a lot of memes and videos to catch up on.

As always, please let us know if you have any questions or concerns about your portfolio. We are always here for you!

[1] "Dow plunges 1,000 points," CNN Business, https://www.cnn.com/2022/05/05/investing/dow-stock-market-news-today/index.html

[2] "Inflation Continued to Worsen in March," The NY Times, https://www.nytimes.com/live/2022/04/12/business/cpi-inflation-report

[3] "U.S. Housing Market has Doubled in Value," Zillow, https://www.zillow.com/research/us-housing-market-total-value-2021-30615/

[4] "Powell puts the hammer on price spikes," Politico, https://www.politico.com/news/2022/05/04/fed-inflation-new-era-economy-00029928

[5] "Consumer Price Index, 1913 –", Federal Reserve Bank of Minneapolis, https://www.minneapolisfed.org/about-us/monetary-policy/inflationcalculator/consumer-price-index-1913

[6] "Federal Funds Effective Rate," Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/FEDFUNDS

[7] "Unemployment Rate," Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/graph/?g=BDJS

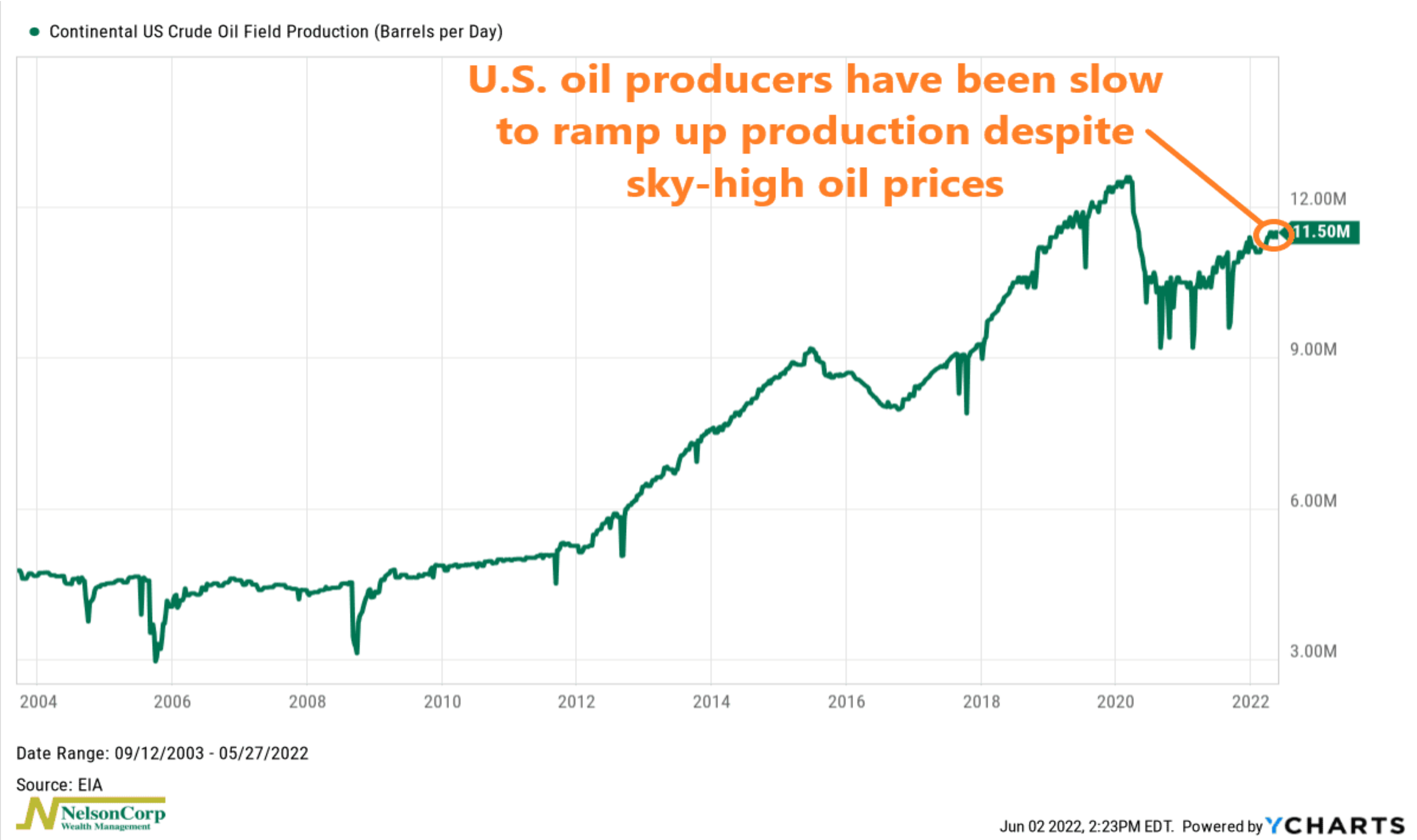
[8] "Fed Seeks Economic Soft Landing," The Washington Post, https://www.washingtonpost.com/business/fed-seeks-economic-soft-landingrarely-seen-in-wild-quicktake/2022/03/29/c3502338-af7a-11ec-9dbd-0d4609d44c1c_story.html

NelsonCorp Nuggets

40% of the cargo imported into the United States via ships come into the two California ports of Los Angeles and Long Beach.

Source: Financial Times

SITTING IDLE



There's a saying in economics that the cure for high prices is... high prices. In other words, as the price of a commodity increases, it incentivizes producers to produce more of that commodity, but the increased supply then leads to lower prices.

That's the theory. And in general, that tends to happen frequently for commodities—like oil.

However, as the chart above shows, although the price of crude oil has shot up more than 70% over the past year, American oil producers have been slow to increase production.

The chart shows weekly continental U.S. crude oil field production. Last week, U.S. continental producers (excluding offshore drillers) produced roughly 11.5 million barrels per day of crude oil. That's only about 7% higher than a year ago, and as you can see on the chart, still roughly 8% below where it was before the pandemic at the end of 2019.

So, what's going on? For one thing, inflation has increased the cost of drilling materials and labor, making it harder for producers to ramp up production. But also, uncertainty from the pandemic is to blame. You might remember that oil prices actually went negative for a brief time during the worst of the covid-related lockdowns in 2020. Now oil prices are nearing record levels. Such wild swings equal massive uncertainty for oil producers contemplating spending billions to boost production in coming years. Many have taken a pass.

As for the stock market, this means energy-related inflation could stay higher for longer, which could mean the Fed will remain aggressive with rate hikes. But it could also lead to consumer demand destruction, in which higher energy-related prices zaps demand from other parts of the economy, resulting in an economic slowdown. If that happens, inflation and growth could come down. The stock market is currently grappling with all this economic uncertainty, hence the price volatility.see on the chart, still roughly 8% below where it was before the pandemic at the end of 2019.

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FINANCIAL SPRING CLEANING

Spring is in the air, and that means it's time for spring cleaning. But before you pick up that feather duster, give a thought to your *financial* spring cleaning first. Getting your finances organized can reap major rewards both now and later, so here's a short, easy checklist to help you do just that.

REVIEW & CONTRIBUTE TO YOUR RETIREMENT ACCOUNTS

Contribute the maximum amount to your IRA if you have one. Currently, the annual IRA contribution limit is $6000 for people under age 50 and $7000 for those 50 or older.*

Also, be sure to review your 401(k) and increase your contributions if necessary. How has your 401(k) been performing? Do you understand how your money is being invested, and why? Are you contributing enough to take advantage of employer matching? If you don't know the answers to these questions, let me know and let's find out!

ESTATE PLANNING

Make sure you know where all your estate planning documents are. You should have a copy of your will, power of attorney, advance medical directives, letter of instructions, and other documents in a secure but easily accessible place. Verify that your spouse (or other appropriate loved one) knows where they are.

INSURANCE

Review your current insurance policies for any potential gaps. (For example, Critical Illness and Long-Term Care may come in handy down the road.)

MAKE A LIST

List out your top retirement concerns. Anything you're uncertain about? If so, let's find the answers *now* rather than waiting until retirement.

DREAM

Similarly, make a list of any new goals or dreams you have for retirement. What will it take for you to achieve them? Are you on track? If you're not sure, let's start planning together!

"Retirement Topics - IRA Contribution Limits," *The Internal Revenue Service*, https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits

THIS MONTH'S FEATURED CHARITY IS THE CLINTON PUBLIC LIBRARY SUMMER READING PROGRAM

CLINTON PUBLIC LIBRARY

The Clinton Public Library will be running the summer reading program from June 1 to July 30 and all ages are welcome to participate. It encourages residents to read and enjoy the many benefits the library offers throughout the summer. Patrons can track their reading through our digital tracking app: Beanstack, visit clintonpubliclibraryia.beanstack.org to register. Along with reading, the library offers FREE programs that all ages can attend from bubbles to Market Music all summer long.

The library is located at 308 8th Avenue South in Clinton, IA. Phone Number: (563) 242-9211 Extension 4106.

For more information call 536-242-8441 or visit their website www.clintonpubliclibrary.us

JEANS FOR CHARITY

Every Friday, the team at NelsonCorp Wealth Management wears "Jeans for Charity". In exchange for getting to wear jeans to work, we each pay a $5 weekly fine. At the end of the month, the fines are donated to a charity. NelsonCorp will match the fines that are collected, up to $250.

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