



Grist from the Mill

The Nicest Things Happen when you are Mindful

August 2, 2022

To get a break from staring at the screens all day, I took a short break to run to Wawa for a sandwich today. As some of you know, my wife and I were living in a tight situation throughout the construction of our new home. Consequently, my 1973 MGB, affectionately known as the Gimlet, was off the road and under cover last year. Now that she's in her new home with a garage bay all to herself, I drive her every chance I get!



Off we go through the village of Kimberton with its one four-way stop intersection. From my full stop I waived on the person to my left, coming up the hill. As I began to ease off the clutch, following them across the intersection, a rather large black SUV proceeded to blow through the downhill stop sign as though I didn't exist!

The beauty of a convertible sports car is that I can gesticulate wildly with both arms while exclaiming, "Whaaat???" all in full view of the offending driver. Fortunately, no damage done. I learned long ago to be exceedingly cautious at intersections when driving the Gimlet. Motorcycles are not the only vulnerable vehicles! It's also another rationalization for having a loud muffler (that and the growl during acceleration!)

On we continued to Wawa. I was pleasantly surprised to have all four doors thoughtfully and courteously held open for me by exiting patrons. A rare occurrence these days. When I remarked out loud about this pleasant phenomenon, a passerby, agreed and noted it only happens at Wawa!



Returning to the Gimlet in the parking lot, a gentleman walked past with a casual, “How are you today?” I replied in kind, continuing toward the Gimlet when the gentleman asked if the MG was mine? Replying in the affirmative, he told me, “You look like it does.” Introducing himself, Kevin Mclemore, author and fitness instructor, shared with me that he once had a 1973 MG during his younger years. Like all who have found themselves behind the wheel of a sports car, he misses the wind-in-your-hair drives on country roads! We established that we are near the same age, shared a few stories, shook hands, and I departed having put a smile on a stranger’s face (or two), brought back some happy memories, and potentially recruited another soul to the Philadelphia MG Club!

Sure enough, as I rose over the hill on Route 113, headed back home through Kimberton, a middle-aged man on a fat-tire bike was peddling down the middle of my lane. Alas, my “throaty” muffler did not provide any advance notice of my impending approach. I double-tapped the horn to make myself known. He didn’t move a single inch! I swerved around him, into the oncoming lane to pass (nothing coming, I checked!) As I felt my annoyance rising, I caught myself from descending into my typical sarcastic reaction, literally and figuratively, down-shifting, accelerating, and feeling the wind on my bald pate.

If you are disappointed that this was not a commentary on the market, simply read on. The message above is if we remain consciously mindful and not self-absorbed in our day, errand, mood or task-at-hand, occasionally something nice, even refreshing can come into your day and remind us, sometimes it’s not all bad out there.

You are probably asking why your Financial Advisor is pontificating? There are some analogies to be drawn....

After a disappointing June, that saw the stock market decline -8.26% for the month, sentiment has shifted in its typically extreme fashion from fears of rampant inflation at the beginning of June to virtually certain economic recession two weeks later with expectations that the Federal Reserve rate hikes will quash the economy. As the Dog Days of Summer took hold, Federal Reserve Chairman Jerome Powell presided over a 75-basis point hike in short term rates (0.75%). In the press conference following the announcement Powell was viewed as “dovish” (or less stringent) in terms of future rate hikes, again (for the umpteenth time) declaring that the FOMC will be informed going forward by the concurrent economic data. And with that, the stock market reversed course. For the month of July, the S&P 500 returned 9.22%, recovering June’s losses and interest rates gained firmer footing.

By no means are we out of the woods. With the first indication of Q2 GDP coming in negative, the long-term impact of Covid disruptions, supplier disruptions and rising manufacturing input prices, the U.S. economy is grinding it out. Inflation remains elevated for many of these same reasons, exacerbated by the increase in money supply from Covid stimulus payments. While not much is said about the monetary supply, the Fed has begun to withdraw the excesses and the money supply is no longer expanding. Ultimately, this will be the most effective means to quell inflation and restore investor confidence.

As one might expect, pundits are now extrapolating to the extreme, predicting one more rate hike at the September Fed meeting, to be followed next year by rate reductions to support the economy. This is akin to fluttering the accelerator on a stalling engine. Such “start-stop” monetary policy failed miserably in the 1970s and 80s under then Chairman Arthur Burns, augmented by two oil shocks (1973 and 1979) and a war (Iran - Iraq) – *sound familiar?*^{i ii} Why on earth would the Powell Fed repeat such an obviously



flawed approach? As I have noted previously, this is one of the most challenging investment environments we have experienced in our lifetimes.

As *investors*, one of the greatest challenges we face is to exercise patience and resist the temptation to feel that we need to *do something*. That is to say, remain **mindful**. Resist the temptation to react emotionally to headlines and news stories.... They'll change tomorrow!

Just downshift....

I'll leave you with this:

"After spending many years in Wall Street and after making and losing millions of dollars I want to tell you this: It never was my thinking that made the big money for me. It always was my sitting. Got that? My sitting tight!"

Jesse Livermoreⁱⁱⁱ



All the best,

Jim

*James W. Graves
Managing Director*

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ⁱ <https://www.federalreservehistory.org/essays/recession-of-1981-82>

ⁱⁱ <https://www.federalreservehistory.org/essays/oil-shock-of-1978-79>

ⁱⁱⁱ <https://thecitesite.com/authors/jesse-livermore/>