METIS WEALTH
MANAGEMENT & PLANNING

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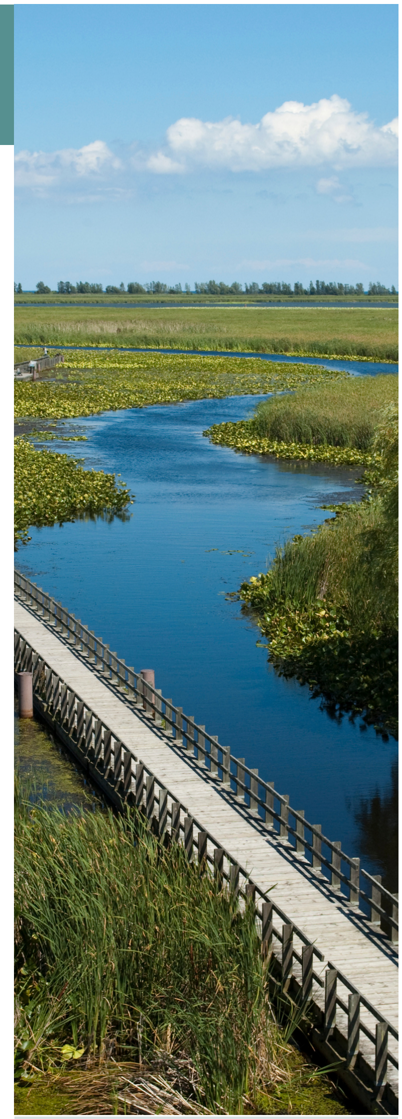

Trying to Find a Balance

by Robert Sokolowski

One of the most crucial concepts in economics is that capitalism "naturally" results in markets that are balanced. There isn't a person or committee that decides how many t-shirts, microwaves, cars, or barrels of oil to produce, but somehow the economy, as a whole, produces almost exactly the amount of everything we need. The primary mechanism for maintaining balance is price. For example, when there is too little production for a good, the price will rise- incentivizing new firms to enter the market and incentivizing existing firms to increase production. The price will continue rising until the correct amount of the good is being produced.

Prior to COVID and the ensuing economic recovery, the economy basically operated in a state of equilibrium- prices were relatively stable, and apart from one-off shocks, we rarely experienced large scale, persistent shortages or gluts. As we move past COVID, supply shortages and gluts have been part and parcel of business and life every day.

The situation has been so bizarre that certain industries have even faced shortages and gluts simultaneously or in quick succession. For example, the lumber industry had a surplus of uncut timber and a shortage of cut and planed lumber at the same time. The airline industry had a huge amount of excess capacity during the depths of COVID. Now, they are struggling to find enough employees to staff flights- the demand for which has nearly returned to 2019 levels. Once thought of as an impossibility, the price of oil briefly traded at ***negative*** $37.63 per barrel in April 2020. Oil futures for August 2022 have traded as high as $123.70.

How Did we Get Here?

The fiscal and monetary responses to the COVID recession, recovery, and subsequent inflation by the federal government and the federal reserve have been frenetic to say the least. Starting in spring 2020, both the Fed and the federal government essentially sprayed the economy with a firehose of cash. To be fair, this made complete sense at the time- no one knew how severe the pandemic would prove to be.

The economy (and the stock market) snapped back very quickly due in large part to the monetary and fiscal stimulus from Washington. U.S. GDP returned to the 2020 high by March 2021- just one year after the pandemic began. The S&P 500 returned to an all-time high in August of 2020- just 6 months after the pandemic began.

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SPECIAL POINTS OF INTEREST

- **Our new office in Bluffton is still not complete. We do not have a move in date yet, but we are hoping by the end of July. We will keep you updated.**
- We are traveling for client meetings 7/19-7-22, but we will return emails and calls ASAP.
- Contact us if you would like to schedule a portfolio review or financial plan update.
- If your family or friends could use our help, please pass along our contact information.

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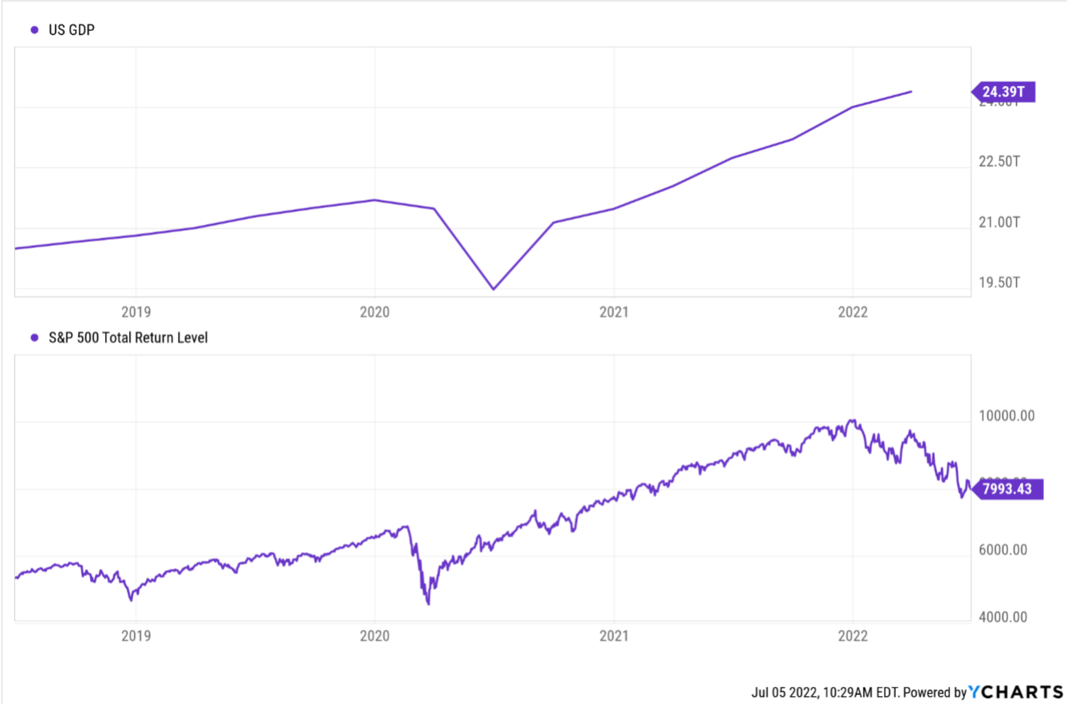
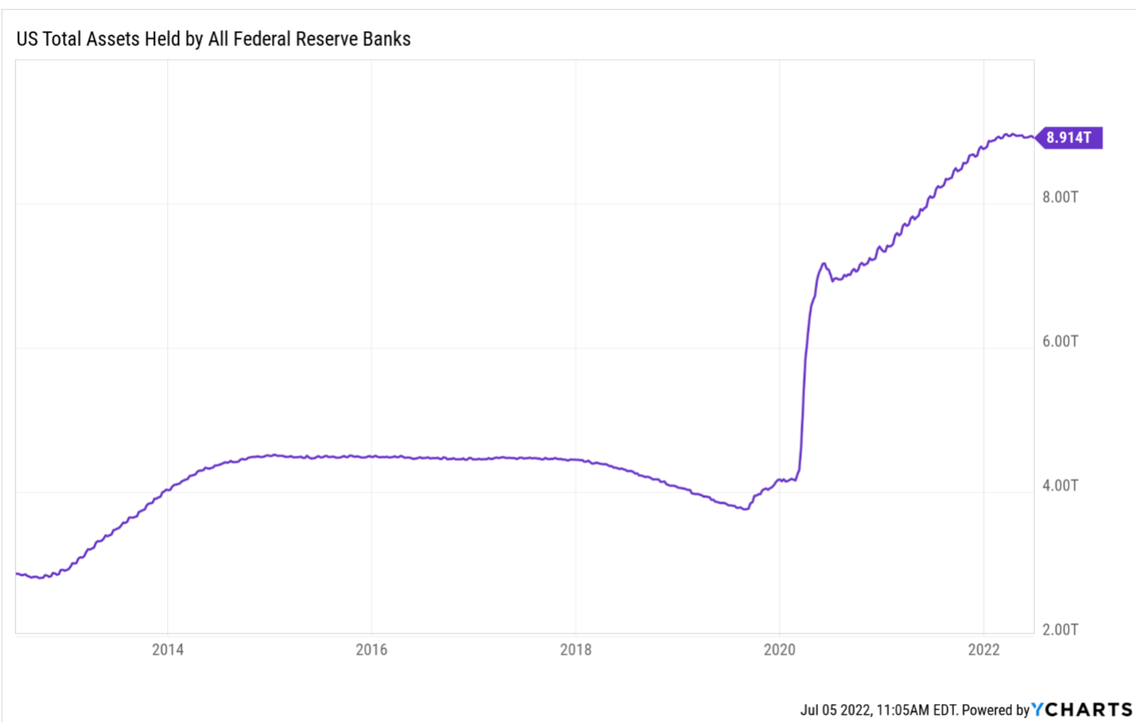


However, despite a very fast snapback for both the economy and markets, the stimulus from Washington continued. The 2021 spending bill (signed into law in December 2020) included $900 billion in COVID related stimulus. The March 2021 American Rescue Plan Act included an additional $1.9 trillion in COVID stimulus. The Fed kept the firehose on too. After an initial bond buying spree of $3 trillion from February to June 2020, the Fed continued "printing money" to the tune of an additional $1.8 trillion over the next 22 months.



Monday morning quarterbacking is certainly easy, but with the economy and markets having made such substantial progress, it is difficult to understand why fiscal and monetary stimulus continued for as long and at such a scale as it did. Perhaps a more patient "wait and see" approach would have been advisable.

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The effects of the pandemic and the fiscal and monetary responses to it created an unbalanced condition in almost everything:

- Many businesses that were unable to open in 2020 and laid off employees are now unable to find enough staff.
- Supply chains went from inventory and capacity gluts in March 2020 to being persistently unable to meet demand since then.
- The economy shifted from service-based to goods-based and back to service-based in the span of ≈ 18 months.
- The federal government went from a "firehose of cash" strategy to being very concerned with inflation in less than a year.
- The Federal Reserve went from printing $4.8 trillion in cash to being solely focused on controlling inflation.

What happens next?

If we are able to avoid recession, the market appears to be priced at a reasonable level today relative to interest rates. The average bear market decline without an accompanying recession is about 24%. The low point this year was -22.8% for the S&P 500 on June 16th- very close to that number. The S&P has continued to chop around near that level since then. If corporate earnings estimates drop in anticipation of a looming recession, the stock market likely has further to fall. The average bear market decline with a recession is 35%. At the moment, stock prices are not giving a clear signal on whether this is a non-recession or a recession bear market.

The geopolitical issues we have been observing throughout the year have not abated. The war in Ukraine has continued and China appears to still be positioning for some sort of action in Taiwan. A full-scale military invasion of Taiwan could be disastrous for supply chains- Taiwan produces about 2/3 of all semiconductors globally and about 90% of the most advanced chips.

For all these reasons, we have remained very cautious. For custom portfolios, our goal has been to have at least 10% of the stock allocation in cash. For example, a 60-40 portfolio would have a minimum goal of 6% cash. We have eliminated the positions we felt were most vulnerable to interest rate increases and we have, for the most part, held off on making any new stock purchases. We continue to look for attractive risk/reward opportunities. We currently see the most value in two-year bonds, where we have been able to buy some high-quality corporates for over a 4% yield to maturity. By and large, client portfolios have held up very well relative to their benchmarks and while we never feel good about seeing account values fall, if we can reduce downside volatility, we feel we are adding value and our current strategy is working.

After more than two years of a very unbalanced economy and whipsaw policy changes from the Federal Reserve and the federal government, it is important to remember that we will return to balance once again. Whether we are talking about interest rate policy or supply chains, the process of regaining balance is rarely painless, but returning to balance also means returning to a position of strength.

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A Brief Overview of Estate Planning

By Jenn Sokolowski

Thinking about and updating my own estate plan is not my idea of a good time. I don't love paying an attorney to talk to me about my own death or answering questions about who should get what. But similar to life insurance, you don't do it for yourself. You do it for those you leave behind. Dying without an estate plan means leaving loved ones with a big mess to sort through and pay for.

I often hear people say that everything goes to their spouse, so they don't need a will. Although this makes logical sense, unfortunately that is not how some states operate. For example, in South Carolina if a married person with children dies intestate (without a will), their spouse will get half and their children will receive the other half divided evenly amongst them. A properly crafted estate plan means you get to decide what happens to your assets – not the state. The complexity of what is needed depends on a combination of your family situation, your level of wealth, and your wishes. There are a four basic parts to an estate plan that you may need:

1) **Will-** Everyone needs a will once they begin to accumulate even a small amount of wealth or when there are living beings that depend on you such as children or pets. A will is a legal document that specifies your wishes in writing. It lays out what you want to happen to your property, who will take care of your kids, et cetera. Some assets can pass to your intended heirs without a will, but accounts without beneficiaries or assets without joint titling will need to be directed via a will. Never make assumptions about how your assets will be distributed if you don't have a will. Laws and procedures differ from state to state and a will is crucial to ensuring your wishes are fulfilled after your death.

2) **Power of Attorney (POA)**- A Power of Attorney has the ability to act for you on financial, health and legal matters. This role is often filled by a spouse, child, or sibling but it can be anyone you trust to make decisions and carry out your wishes if you are no longer able to. There are different types of POAs and your estate planning attorney will be able to help you decide what makes sense for your situation. A POA is something to have in place well in advance of when you may need it. If you wait until you need it, it will be too late.

3) **Healthcare Directive-** A Healthcare Directive is a legal document that instructs your family and healthcare providers on your wishes regarding your health if you are no longer able to makes decisions due to incapacity or illness. Everyone needs a healthcare directive regardless of age or health. Providing your family with your wishes will make grueling decisions a bit easier.

4) **Trusts**- Unlike wills, POAs and healthcare directives, not everyone needs a trust. Trusts allow you maintain control over assets after you have passed away. There are many different types of trusts that serve different needs. While trusts are often used to limit estate taxes, the amount of wealth you have is not the only factor in the decision to use trusts or not. If you think you may need a trust, don't hesitate to speak to us or an estate attorney.

Market Index	Q2 Total Return	YTD Total Return	1 Year Total Return
S&P 500	-16.4%	-20%	-11.1%
DJIA	-11.3%	-14.7%	-9.9%
Nasdaq Comp	-22.5%	-29.2%	-23.5%
MSCI EAFE	-13.9%	-19.3%	-17.5%
Russell 2000	-18%	-23.4%	-25.8%
US Aggregate Bond	-4.4%	-10.4%	-10.3%