March 29, 2022 | Semi-Annual State of the Economy Call Transcript

Speaker: Jean McGowan, CFA | Chief Investment Officer

Michael Gibb - Good morning, everybody. My name is Michael Gibb, and I am the President and CEO of Godsey and Gibb Wealth Management. I would like to thank everybody here for taking the time to join us for our first State of The Economy call of 2022. I think this is going to be a timely call as there is certainly a lot to talk about.

Jean is going to spend about 30 minutes of the call on her prepared remarks and then use the remaining time to answer questions. She's going to go ahead and start with questions that were submitted before the call, and then if we have additional time, she will tackle some of the questions we get during the call. If we run out of time before Jean gets to your questions, we will answer them promptly in our follow up communication after the call. With that, I am out of housekeeping items, and I will go ahead and turn it over to the person everyone really wants to see, Jean McGowan.

Jean McGowan – Great! Thank you, Michael, and good morning, everyone. As Michael said, I am going to spend about 30 minutes going through the slides, which you should have received, and then I will address some questions.

Again, welcome. I know there is an awful lot going on and an awful lot of uncertainty in the market right now. As Michael said, this is a great time to have this call. We seem to have good timing with these calls occurring when all sorts of uncertain events are happening. It's really hard to believe that we just passed the two-year anniversary of the COVID-related equity market bottom on March 23rd, 2020. Since that time, the S&P is up 111% or 44% on an annualized basis which shows how much has happened between the call two years ago and now.

We have been hoping for the better part of two years to be able to turn the page on the COVID pandemic and move on to new topics. Unfortunately, we got what we asked for, but we did not ask for that topic to be a war in Ukraine. This war is certainly impacting (at least over the near term) our outlook for growth and inflation, which I'll talk about in more detail as we go through the slides. Coming into the year, we were looking for increased volatility in both the economy and the financial market due to the economic transition from emergency stimulus (both monetary and fiscal), broadening of the inflationary pressures we saw last year, lingering impacts of COVID, rising geopolitical risks (which have now escalated from where we were at the beginning of the year), and the upcoming midterm elections. All of the uncertainties we had highlighted as we came into the year are still there. In the case of the war on in Ukraine, we know we are going to see impacts globally on growth and inflation.

As I go through the slides, there are four key things you will be hearing me convey. First, we continue to expect volatility in both the economy and the markets to last for some time. Normally in an economic recovery you have steady growth throughout the year. During a cycle with volatility in the economy, there tend to be many short-term headwinds that could impact consumer spending today, but don't truly change the fundamental strength of

GODSEY & GIBB WEALTH MANAGEMENT | www.godseyandgibb.com
P: (804) 285-7333 | F: (804) 285-9268 | questions@godseyandgibb.com

the consumer. This means you may have a particularly weak quarter followed by a bounce back quarter that may be stronger than expected. Some of the short-term headwinds today include the spike in energy prices and COVID resurgence (which is impacting supply chains in China). We have seen many short-term headwinds in the first quarter of the year already, sometimes even due to weather impacting near term spending but not the strength of the consumer. We expect that we are going to see positive quarters and some very weak quarters. It is not unheard of to see a negative GDP quarter depending on how these factors come together, but we want to focus longer term, on the underlying fundamental strength of the consumer and the economy. Market volatility is something we talk about a lot and has been showing up this year, especially in the intraday moves in the market. In a typical year there are about 33 days where the market moves more than 2% from the time it opens in the morning until it closes at the end of the day. Last year, we had 14, so significantly less volatility last year. So far this year, there have been 23 days where we have seen that greater than 2% move, and we expect that to continue.

For the first time in almost 2 years, we have seen a correction in the market that began almost immediately at the beginning of the year. The S&P 500 peaked on January 3rd and then declined 13%. We are seeing a recovery there, but corrections are a part of the market. They are an offshoot of all of the uncertainty we're seeing, and we expect that type of volatility to continue throughout the year. Then finally when it comes to volatility in the interest rate markets, short term rates are up significantly due to the expectations for, and now the start of, Fed tightening. Longer term interest rates have been more volatile to both the up and the downside lately. They have been moving up due to the impact of higher short-term rates, but then also experiencing downward pressure on flight to quality trades. We will go into all of this in much more detail.

The second key focus area involves the fact that the Fed has started policy normalization. We're going to talk about what the Fed needs to do, what they can and can't do, and the idea that an adaptive Fed creates additional uncertainty. The possibility of a policy mistake by the Fed is certainly not zero, and they've made their task more difficult by delaying the start of this process. In addition, the war in Ukraine has added to the difficulty. We will also talk about all of this in more detail throughout the call.

The third key theme that we will discuss is that higher interest rates do not necessarily mean a recession or problems for the economy. We just have to watch as the data moves forward. Inflation is going to be a key theme throughout everything I am talking about. We expect that inflationary pressures will worsen over the near term because of the war in Ukraine, but that they will lessen later in the year (remaining above the Fed's target). Again, while inflation can be challenging for consumers and businesses, it's not automatically bad for the equity market or the economy when it's at a more reasonable level. During this call we'll take a closer look at the nature of current inflationary pressures and what it will take to address those.

Finally, the last key topic we will discuss involves the outlook for financial markets and how we are dealing with the current environment from a portfolio management perspective. If you take one message away from the call today, I would hope that it is one of cautious optimism. We certainly understand all of the uncertainties that are out there in the global economy today, and the headwinds that we are facing over the near term, but we think there are some key underlying factors in the U.S. economy that can still sustain economic growth.

With that long introduction, I am going to move into the charts, starting with page 2. The chart you are looking at here is a graph of the dollar value of the U.S. GDP over time. The darker blueish line is the GDP, both historically and estimated through the end of 2023. If you look at the last section of the line it is dashed representing the estimated GDP (which may be hard to see). Then, the dotted green line is the long-term trend of GDP and that has averaged about 2% a year over time. I want to point out here, that even with all of the uncertainty overhanging the global economy, we still expect GDP growth to be positive this year and next. I would say our estimates for this year have come down from where they were at the beginning of the year, and that's due to the disruption from both higher energy prices and additional supply chain disruptions out of China due to their zero COVID Policy. While we expected a more robust first half of the year, those estimates have come down in the second half. We were already expecting growth to begin to slow more towards trend, and 2023 hasn't so far seen significant change. We still expect it to come in much closer to the long-term trend line of 2%.

I think the other point that's important to reiterate here is that while we expect positive growth, we do acknowledge that the risks to this outlook are less certain than they were at the beginning of the year. We can't rule out the possibility of slower than expected economic growth or a negative quarter depending on how the headwinds near term turn out. Given all of this, you might be asking where our cautious optimism is coming from. The reason we are still cautiously optimistic about the outlook for growth is because the U.S. economy is primarily a consumer-based economy, and more than two-thirds of GDP growth comes from consumer spending, with a currently healthy consumer. High energy prices are certainly hitting disposable income, but savings levels are still strong. In addition, the labor market is also strong and those who want a job can find one for the most part. Excess savings are not as high as they were throughout most of the pandemic, but people still have more cash on their personal balance sheets than they have in the past. Debt levels are also low for the consumer, so there is plenty of opportunity for consumers to spend more when they feel confident about the future.

Businesses are in a similar situation to the consumer. There is a lot of cash on corporate balance sheets, and balance sheets are healthy. This may not be true for all companies, but is for a lot of companies, and many are seeing strong demand for their products and services. While higher input costs are hurting businesses in the near term, they are able to offset some of those costs through the higher revenues they are seeing, as well as productivity investments that have been taking place over the last several years.

With a strong consumer and strong businesses, our third reason for cautious optimism surrounding the U.S. economy is that state and local governments are sitting on large surpluses. Some of that money is coming from unspent COVID relief that came from the federal government, but a significant portion of that is coming from higher tax receipts. Most states are seeing, if not record-breaking, near record-breaking tax receipts this year. We have seen more than twenty-five states start looking at cutting taxes or providing rebates to consumers, which provides an additional amount of potential stimulus for our economy. With this said, I can't say the same about economies outside of the U.S., as we do have concerns about the European economy and a potential for a recession there. For now, we are cautiously optimistic on the state of the U.S. economy.

I am now going to move to Page 3 to dig a little further into the U.S. economy. This page breaks out the consumer spending in the U.S. economy between goods and services. I find this page helpful for a number of reasons. To start, it shows the impact that COVID had on the ways we spent, and also helps highlight why we are experiencing some of the supply and demand imbalances in the economy that are leading to inflationary pressures. The graph on the left represents consumer spending on goods and the graph on the right represents consumer spending on services. Demand for goods surged during the pandemic, and it is still well above pre-pandemic levels. This strong demand for goods is one of the reasons we are having a supply and demand imbalance. We have much stronger demand than we are used to on top of disruption in the supply chain, which are both continuing to impact the global economy.

As we will talk about later, the Fed can impact the demand for goods, but it cannot increase the supply for goods. This is why we believe that it will take more than just Fed action to get inflation back down to more normal levels. In general, services are a much bigger part of our economy in normal times, and even today there are more dollars going into services, but on a relative basis, it is just less than it was. We have seen a significant increase in demand for services, or spending on services, in the last year and much of that increase is tied to the decline in restrictions across the economy. We still have not gotten back to the pre-pandemic level though. There are still some lingering restrictions, or individual concerns, that are impacting travel, in-person shopping, dining out, etc. Another issue holding back a full recovery in the services sector, is shortages in the labor market, which we will talk more about shortly. The key takeaway here, is that economic growth and inflation have certainly been impacted by the supply of goods that cannot meet the stronger than expected demand, and the supply of services that has been impacted by shortages in the labor market and COVID restrictions.

I am now going to move on to page 4 to talk a little bit more about the supply chain, and how it is contributing to inflation. This chart on this page is something new that the New York Federal Reserve Bank put together. It is scaled by standard deviations, so the index values you see on the Y axis represent one standard deviation from the normal, so where we are currently over 3% or over 3 means that the pressures on the supply chain are 3 standard deviations above what a normal operating supply chain would look like. A reading at 0 would imply normal operations within the supply chain. This is a global based index, so it takes data from all over the world. It is weighted by countries' GDPs, but it looks at a combination of data including the global transportation costs across all kinds, whether it's shipping, freight, train, everything you can think of there. It also looks at supply chain components like delivery times, order backlogs, and the ability to purchase input materials. Then the data is adjusted to strip out the changing demand impacts. The idea is that this tells us if the supply chain pressures are not heavier because there is more demand. This is just purely showing if the current demand be met by the current supply chain. Again, this is a newer series, but I think it really highlights how difficult the supply chain is today and why supply chain disruptions continue to weigh on inflation. We have seen an improvement in this area more recently, but this last data point would have been prior to China shutting down some manufacturing and port operations due to their zero COVID policy. With this said, we will continue to watch this to get a sense of when we could see a lessening on inflation.

Moving on to page 5 and the labor market, I had mentioned the labor market as a positive for the consumer, but it is also contributing to some of the inflationary pressures we are seeing. The graph on the left is the labor force participation rate, which is the percentage of working age population, ages 16-64, that are currently employed or seeking employment. What it is not counting, is somebody in that age range who is not looking for work. It took some time post-pandemic for displaced workers to come back into the labor market and we are seeing an improvement over the last several months, but we are still well below the labor market participation rate that we saw pre-pandemic. Part of that, is during the pandemic we saw higher than normal early retirements from people who were close to retirement and impacted by the pandemic from a labor market standpoint. These people may have decided to retire early and are now out of the labor market sooner than anticipated. The enhanced unemployment benefits during most of the COVID pandemic may have also aided the reduction in labor market participation, as people were able to be paid a sufficient wage to stay home rather than go back to work. Those benefits ended in the fall of last year, but it is taking longer than we anticipated to see those workers come back into the market. The ending of the enhanced unemployment benefits is what is driving a good portion of the improvement we are seeing over the last couple of months, but we would like to see that continue to move higher. The graph on the right-hand side of the page is the unemployment rate, which is now below 4% at 3.9%, and we will get another reading on Friday. It is close to the pre-pandemic low of 3.5% which is great, but that number is lower with a lower number of overall workers in the economy. With a sufficient portion of the people who want to work in fact working, there are still shortages in the labor market as we will see in a little more detail on page 6.

Moving to page 6, this series comes from the Bureau of Labor Statistics which does a monthly survey. It is called the Job Openings and Labor Turnover Survey, but is commonly referred to as JOLTS, which is a whole lot easier than the full name. Each month, the JOLTS report gives us a reading on the jobs that are available in the market. It breaks them out by sector, geography, and various other levels. The graph on the left shows the ratio of job openings to unemployed. In other words, for each job that is available, how many unemployed people are in theory competing for that job. Right now, at 1.75, there are about 1.75 jobs available for each person looking for work, so that suggests a healthy labor market. It may also suggest that there is a mismatch between the jobs that are available and the people looking for work. Right now, there are just over 11 million job openings across the U.S. in various sectors, and seemingly not enough people to fill those jobs.

On the right-hand side of the page, I picked one sector of the market, the leisure and hospitality sector, as it has been greatly impacted by COVID over the last two years. In this sector, there are currently just over 1.4 million open jobs, and as you can see the average over time is just over 600,000, so there's still significant slack in the leisure and hospitality sector in terms of filling openings. This is feeding into the difficulty some areas of the service sector are having with fully reopening, leading to businesses having to cut back hours, not open every day of the week, or provide worse service than we would like in these areas of the market. The other piece of it is the inflationary aspect that businesses are facing as they reopen. They are having to raise wages to entice people to get back into the labor force and to keep their existing employees from leaving. A strong job market means people can move much more readily from one job to another. We thought people would come back sooner as COVID restrictions lessened, but it is taking longer than anticipated and is contributing to the inflationary pressures. Now that I have discussed the economy and the pieces of the economy that are impacting inflation, we have a nice transition into the Federal Reserve and how they are going to combat inflation.

Moving on to page 7, the left-hand side of the page represents the Fed funds rate. The Fed gives us a target range, and so this is the upper band of that target range, and the dashed green line (the lighter green line) at the end is the Fed's forecast for future rate increases. As you can see, the Fed is projecting that they will raise rates at every meeting this year by 25 basis points. On the right-hand side of the page is the core PCE price index. This is the Fed's preferred measure for inflation, and most of us tend to talk about the consumer price index or CPI, but it is important to pay attention to this as it is what the Fed really looks at. One additional point, is that the Fed likes to focus on the core rate, which excludes food and energy. That is not because food and energy are not critical to the economy, but they tend to be more volatile on a month-over-month basis and what the Fed wants to do is remove that volatility and try to hone in on the underlying trend in inflation. Currently, the core PCE is at 4.9%. The Feds target is 2%, so it obviously well above that. We expect that this number is going to rise going forward due to the recent increase in energy prices and the effects of the war in Ukraine before it begins to tail off later this year. As a firm, we look at many different measures of consumer and wholesale inflation, but this is what the Fed is looking at. As a comparison, the consumer price index (CPI) core rate is at 6.4% currently, so a little bit higher than this. No matter which series you want to look at, inflation is clearly higher and stickier than expected, and the Fed needs to act to remove the emergency accommodation. By waiting to act as long as they did, they've made that task more difficult, because inflation has gotten stickier and more broad-based, and we're now also dealing with disruptions from the war in Ukraine.

The Fed is currently trying to slow economic growth enough to reduce demand and bring both supply and demand back into balance, but as we have talked about, they cannot do that completely on their own. The higher rates can slow demand for goods and services, but it cannot fix the supply chain, ramp up manufacturing, impact COVID in China, or entice people to return to the market. Just looking at the Fed's forecast, we would not be surprised to see the Fed move more aggressively in the near term. 25 basis points at every meeting is unusual and they do not like to move at every meeting because their policy changes take a while to work through the economy. This plan is almost a recognition that they waited too long, and they need to move faster. We would not be surprised to see them move by 50 points at either the May or June meeting. I think that doing so would bolster investor confidence around the fact that the Fed is on the job and willing to fight inflation. I also think it would give them some cover to move quicker in the near term and then pause and see how the economy reacts.

The other piece of information we are waiting to hear from the Fed is what they are going to do with their balance sheet which has grown from $4.1 trillion just prior to the pandemic to just under $9 trillion today. It is not certain right now whether they will just let maturities roll off the balance sheet and reduce it that way or look to actually sell assets into the market. We hope they will provide some information on this at the May Fed meeting, and it is possible they could begin that process at the May meeting. Given the maturity breakdown of the Fed's assets, if they were to just reduce the balance sheet by letting bonds mature and not reinvesting, the balance sheet would fall to just over $5.5 trillion over the next five years. With this said, a sizable portion of their balance sheet is in bonds that mature longer than 5 years from now, with about 40% of it at 10 years or longer. If they want to be more aggressive this time, they likely cannot achieve their goal by only allowing bonds to mature.

Moving to the next page, when we talk about actual inflation it is important to look at inflation expectations because inflation expectations are much more correlated with consumer behavior, whereas actual inflation data is more backward looking. If you think about expectations, if I want to purchase a car this year, and I think prices are going to be higher six months from now, I am going to move that purchase forward in time. This is somewhat of a bad example as cars are not readily available right now, but hopefully you get the point. If prices are going to be lower later this year, I likely would not want to purchase it today and instead would wait six months to buy it at lower prices. This is how expectations for inflation can impact consumer behavior. Considering this information gives us some insight, and also helps the Fed get a sense for how demand might be changing over time. This ultimately helps the Fed determine how fast or slow they can react to reduce inflation.

The graph that you are looking at here is the breakeven inflation rate from the Treasury Inflation-Protected Securities market, or the TIPS market for short. Let’s start by looking at just the 2-year breakeven rate, which is the yield difference between a 2-year Treasury bond and a 2-year TIPS bond, and also a proxy for expected inflation over time. The current two-year breakeven rate is 4.9%, which means that expectations are that inflation will average 4.9% over the next two years. As you look at the 10-year breakeven rate, in this case, inflation expectations decline because people believe that while inflation is high in the short term, they expect longer term inflation trends to be lower. The 10-year breakeven rate is currently at 2.9%. This shows that on average, people expect that inflation will average just under 3% over the next 10 years, again higher than the Fed's long-term target, but the Fed has told us they are willing to allow inflation to run higher for some time. With this said, the current higher inflation is not expected to last and should decline over time as the Fed removes accommodation and both supply chain and labor market issues are worked through. I find that watching inflation expectations gives us some hint about how quickly or slowly the Fed might move to continue normalization.

When you talk about an active Fed, the next question is what is the impact on interest rates? We are going to move on to page 9 to talk about the market implications of everything I have discussed so far. On page 9, you are looking at the yield-to-maturity of a 2-year Treasury bond and a 10-year Treasury bond. The yield on the 2-year bond really began to move higher in the fourth quarter of last year when it became clear that inflation was going to be around longer and was becoming broader-based. The 2-year bond, or the front end of the curve, is much more correlated to expectations for changes in Fed monetary policy. Longer-maturity bonds, like the 10-year bonds, are more impacted by expectations for economic growth and inflation, but can sometimes be impacted by other factors like global demand for yield. The Fed's QE program of debt purchases, which stopped at the beginning of this month, but up until then had also been putting some downward pressure on long term rates. More recently, when geopolitical risk or market risk is higher, you tend to see a flight to quality where people get out of riskier assets and into higher quality assets. This tends to put some pressure on the longer part of the yield curve as well. While we are seeing the rates on the 10-year yields rise, that increase has mostly happened in the last couple of weeks as the Fed has shifted monetary policy.

The 2-year Treasury is yielding about 2.3% currently, and the 10-year Treasury is yielding around 2.5%. We expect that rates are going to continue to rise across the curve, but how the Fed decides to reduce the balance sheet may put additional pressure on the longer-maturity bonds. If they do decide to sell assets, it could lead to near term higher rates on the back end of the curve than we might expect if they do not. Overall, the Fed has been the primary buyer of long-term Treasuries for the last two years as part of its QE program. Without Fed buying, there could be some upward pressure on those yields until the traditional buyers come back. Unless inflation expectations remain elevated for longer than we anticipate, we don't think we're going to see a dramatic increase in interest rates. We might end both on the short and the long term at levels similar to where we ended the last Fed cycle from about 2016 to 2019, so more in a 3% to 4% range.

I am going to do something a little different right here. One of the questions we received ahead of the call was about the potential for an inverted yield curve. So, since I have a yield chart up here, I thought I would answer that question now rather than waiting till the end. When we talk about the potential inversion of the yield curve, what people are most commonly looking at is the difference in yield between the 2-year and the 10-year Treasury bonds. When the curve is inverted, it means the yield of the 10-year bond is lower than the yield of the two-year bond. When long-term rates fall below short-term rates, it is believed to be a sign that the longer-term economic outlook has weakened, and that interest rates in the future will need to be lower to stimulate growth. There are a number of other factors that can impact the shape of the yield curve at any point in time, and some of those are items we talked about just a minute ago, flight to quality and the Fed being in the market. Currently, the spread between the 2-year and 10-year is at 13 basis points. It was at 65 basis points 12 months ago, so it is significantly flatter than it was, but it has not inverted at this point, and we will continue to keep an eye on it. I think the important message on yield curve inversion, is it can be a signal of a recession in the next 12 to 18 months, but it does not automatically signal an upcoming recession as we have had yield curve inversions that did not lead to a recession. What I think is most important for the near term is to recognize that it is a market signal and while it could impact investor sentiment in the short run, it does not necessarily act as a sign that a recession is coming.

I am going to move on to the last graph on equity markets. What you are looking at here is the earnings per share of the S&P 500 over time, on a quarterly basis. When you look at this chart, much like the first chart on GDP, the green lines represent previous earnings per share (per quarter) and the blue lines at the end represent estimates through the end of 2023. Even with the level of uncertainty we are currently facing from higher inflation, supply chain disruptions, etc. we are seeing that earnings are still expected to grow both this year and next year, somewhere in the mid-to-high single digit levels. This is certainly less earnings growth than we have seen over the last couple of years, but we are still looking for positive earnings growth.

This graph is looking at the market as a whole, but it does not tell us what is going on under the surface with the 500 companies in the S&P. We have seen a divergence in performance across sectors, market cap, and among individual names and sectors throughout the year. The correction in the market that we saw earlier was much greater if you moved down to smaller companies. Technology and consumer discretionary sectors experienced a much larger sell off than the more defensive sectors. I think it's a recognition that not all companies are in the same position to navigate through this high level of uncertainty.

While this graph is looking at the overall market, there are good quality companies that have solid growth opportunities (are more attractive than the market as a whole) and we expect that the market will continue to differentiate between those good companies and the companies that do not have strong earnings prospects, or earnings at all. It is a much healthier investment environment when the market distinguishes between good companies with growth prospects and the companies that do not have growth prospects, versus what we have been in since the bottoming of the market in March of 2020, where the rising tide lifted all boats. We much prefer an environment where there's differentiation.

To pull this all together and to highlight how it impacts portfolios - the risk to the economy and the financial markets is higher than it was at the beginning of the year, but even with that level of uncertainty, there are a lot of positive items that we believe can support the economy and provide opportunity for well-positioned companies. We believe our current portfolio companies are well-positioned for this environment. They have solid balance sheets, strong cash generation, and the ability to deal with near-term uncertainty and pricing pressures. In addition, they each have proven track records of generating positive results in periods of slower economic growth. Some of our companies are facing more near-term pressures within their businesses due to higher energy prices or less demand for services, but we continue to focus on their long-term growth prospects. We are not going to react unless the fundamental long-term outlook for a company or for a sector is altered. It is important to reiterate the importance of portfolio diversification here, while the prices of some of our holdings have declined more than the market this year, our overall portfolio has benefited from diversification and is providing protection on the downside, as we would expect. The other point I feel is important when we look at our portfolio, is to remember that in the short run, the price of a company's stock can move for many reasons, and not all of them are related to the fundamentals of the company or the sector that they're in. When you look at prices over the longer-term, they will reflect the fundamentals of the company and their prospects for sales and earnings growth.

With this said, from a portfolio perspective, with the amount of uncertainty currently in the economy, we are being cautious and managing the position sizes in our portfolios to maintain diversification. You may have noticed that we have been taking profits on positions that have outperformed a little quicker than we might in a calmer or less volatile market. We did it recently, for those of you that have growth – you may have seen some energy companies be cut back. We did it in some income companies as well. We really want to take advantage of taking gains and profits when stocks outperform, and not letting position sizes get too large. Higher interest rates are making fixed income investments more attractive, but with rates expected to rise higher, we're not adding a lot of duration to our fixed income portfolio. For those of you with a fixed income allocation, we are buying some investment grade corporate bonds, keeping the maturity relatively short which will allow us to reinvest at higher rates in the future while still earning an attractive yield today. Fixed income has done its job of providing diversification from equity risk, especially this year, but we are finally in an environment where it can return to providing incremental income as well.

The last point I want to reiterate is that timing the market is extremely difficult. Historically speaking, event-driven market underperformance tends to be short term in nature. While staying invested in times of uncertainty is not always easy, investors who do stay in the market (and focused on high-quality companies) have generated better results over time. That is not to say we will not, or could not, make changes to the portfolio if we see the situation deteriorate from what our current forecast is. We do continue to monitor all of the incoming information both macro-economic, the level of uncertainty, and the bottom-up information on our companies, and are ready to make changes if we feel that the fundamental underpinnings of the economy or our companies have changed. With that said, I know I answered at least one of the questions already. We also received several questions on inflation that I hopefully addressed through the graphs I covered as well. At this point, I am going to stop sharing my screen and I am going to go back to Michael.

Michael - All right, well thank you for that Jean. We do have a couple questions, but we are over time now. I apologize that we did not get to more questions, but we will of course address those individually after the call. We received some feedback on how we can improve the clarity of the data series that we have in our chart pack, and we are going to take that to heart and incorporate this when we do post it after the call for everyone to refer back to. We appreciate that feedback, and any further feedback on how we can improve our communications. If anyone has any additional questions after this, you can reach out to your advisor or you can email us at questions@godseyandgibb.com.

To close out the call, I just want to say thank you again to Jean. Wonderful job as always, and I feel better after listening to your presentation. I hope other people to do as well. If anyone has any additional feedback about this call, or any other presentation we have given, please feel free to reach out. With that, I will release everyone back to their mornings.

Disclaimer - Our State of the Economy call is for clients only. The information contained in our State of the Economy call is for educational purposes and should not be substituted for personalized portfolio advice from Godsey & Gibb Wealth Management or used to guide investment decisions. In addition, while the information on this call is provided in good faith as of the time of the call, we make no representation or warranty of any kind regarding its accuracy, validity, reliability, or completeness.