MORAN
WEALTH MANAGEMENT

MARCH 2022

MORAN MONTHLY DIGEST

Insights From Our Founder

As we approach the end of the first quarter of 2022, I think it is appropriate to briefly review the dynamics at play so far this year and our outlook for the near-to-intermediate term. There is a lot of uncertainty in the markets, and in our world, right now. Inflation and rising oil prices are greatly impacting the U.S. Consumer, while Russia's invasion of Ukraine has led to a heartbreaking humanitarian crisis. If there is one thing that the market hates, it's uncertainty. We have seen that play out in a dramatic fashion, in volatile intraday price swings as investors speculate over both when and how much the Federal Reserve will raise rates, and over Putin's potential endgame by invading Ukraine.

Thomas M. Moran AIF®
Founder, Chief Executive Officer, Senior PIM Portfolio Manager

Despite these headlines and volatility, we believe there are actually several positive tailwinds for the market this year. Firstly, individual and business excess savings are the highest they have ever been, and debt service is the lowest it has ever been. Secondly, on top of strong jobs reports, there are around 10 million job openings in the U.S. Finally, Core Capital Expenditure – the number that tracks business spending on physical assets – hit a record high in January. While seeing the market is disconcerting, we believe that these strong underlying tailwinds portend returns in 2022 in-line with long-term historical averages of 8-10%. Corrections are a normal, healthy process in the market cycle. With no correction for almost two years, investors were long overdue for one. We still believe that clients should stay the course, and that natural resources and strong dividend stocks are the best place to weather the next year even despite volatility due to Ukraine and Fed interest rate hikes.

Here in Naples, we hosted our final private client luncheon at the Ritz Carlton Beach Resort. Now, we will pause seminars and client events as we are gearing up for our transition to being a Registered Investment Advisor. There are a few reminders of action items for clients on page 6 of the newsletter. We will be in touch with more information very soon. Please reach out to your advisor if you have any questions or concerns. As always, please contact our office if you have any questions or if we may be of help in any way. It is our privilege to be of service to you and your family.

Cheers,
Tom

WHAT'S INSIDE

MONTHLY MARKET COMMENTARY

OUR VIEW INTO MARKET BEHAVIOR AND GEOPOLITICAL EVENTS

THE RECENT TURN OF EVENTS WITH THE INVASION OF UKRAINE

In our last newsletter, we discussed market volatility brought on by inflation and the uncertainty of higher rates. Then, adding another degree of uncertainty, on February 24, 2022 Russia invaded Ukraine. What has unfolded is a full-fledged humanitarian crisis, with tragic and graphic images of suffering and war. Oil is climbing higher and food prices are increasing as global economies are disrupted. Markets hate uncertainty, and that is being reflected in the continued volatility we are experiencing.

3 MOST IMPORTANT MARKET MOVING LEVERS TO WATCH

At this moment, there are many moving parts that are dominating the news and direction of markets. To boil it down, the three most important market levers to pay attention to are Putin, Prices and Powell, a.k.a "the 3 P's."

1) Putin

We do not know the extent he will go to, or at what cost, in order to capture Ukraine. This is a war of his choosing and Russia is now effectively exiled from the global community. There are many unintended consequences that are unknowable and yet to be seen. Cutting Russia off from all payment systems (SWIFT), severing ties with all businesses, cutting imports of energy, and financially strangling the country has never been done. The outcome to the U.S. and Europe is still to be determined. If we were to see a quicker end or a path to an end, the market would react very favorably. If Putin were to become irrational and recklessly escalate the war, more downside should be expected.

2) Prices (Inflation)

Inflation was the headache we were contending with before the Russian invasion of Ukraine even started. The Consumer Price Index (CPI) is close to 8%, due largely to the COVID-induced flooding of stimulus into global economies. That, compounded with disruption to global economies, means we are really feeling price increases. Ukraine produces 10% of the world's wheat, 15% of the world's corn and is a significant supplier of fertilizer and cooking oils. That production is now off the market, affecting food prices nationally and globally. Gasoline prices are at the highest levels in 14 years. Russia is an important supplier of European energy,

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accounting for 40% of its natural gas and 24% of its crude oil. If Europe and NATO decide to cut off all imported energy to inflict the most damage on Russia, the inflation impact will only get worse, making the decision by Federal Reserve even more difficult.

3) Powell

The Federal Reserve has a tough job that just got tougher. Their mission is to (1) maintain stable prices with moderate inflation, and (2) sustain full employment. It is widely expected that the Fed will raise rates at every meeting this year by 25 basis points, until the Fed Funds rate gets close to 1.75%-2.00%. As we have written about in the past the hard part is calculating the magnitude and timing of these rate increases. They will need to raise rates steep enough and fast enough to bring down inflation without choking off growth and causing unemployment to go up. The risk of a policy mistake is higher today than it has been in a long while. The market is going to pay extremely close attention to every Fed meeting and what is said about the future of interest rate hikes. Stock markets can tolerate higher interest rates if they are predictable and gradual. There are many examples of past Fed hiking cycles where this is the case and markets do well. Bonds, on the other hand, will struggle as rates rise and prices decline.

WHAT HAS PAST HISTORY TOLD US IN RESPONSE TO GEOPOLITICAL EVENTS

Oftentimes, we feel paralyzed when geopolitical events shock the world. In times like these, we find it informative to look back in history to see what insight can be garnered and what might be the roadmap going forward. As you can see from the table below, there have been 29 large geopolitical events that have occurred over the last 80 years, starting with the German invasion into France in WW2. In terms of market reaction to geopolitical shocks, this table tells you several things.

First, in the short term, who knows? The stock market waffles or declines as it tries to price in the degree of uncertainty that is being presented. Second, over time the market tends to quickly price in the worst possible outcome. Third, once time passes, fear lessens and more outcomes become relatively certain, the market tends to improve. In this table you will see that 83% of the time the market is not only positive 12 months out from the geopolitical event but up by 12% on average.

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S&P 500 Performance After Geopolitical Events

Event	Start Date	1 Week Gain/Loss	1 Month Gain/Loss	3 Month Gain/Loss	6 Month Gain/Loss	1 Year Gain/Loss
Germany Invades France	May-40	-13.5	-25.8	-16.1	-6.0	-22.0
Pearl Harbor	Dec-41	-2.7	0.3	-9.0	-5.6	3.7
Korean War	Jun-50	-7.6	-8.7	1.2	4.9	11.2
Suez Canal Crisis	Oct-56	1.6	-4.3	-4.1	-1.4	-11.5
Cuban Missile Crisis	Oct-62	-1.9	7.6	17.2	24.5	32.0
JFK Assassinated	Nov-63	2.2	3.1	8.3	12.7	20.5
U.S. Bombs Cambodia	Apr-70	-2.9	-6.4	-4.9	2.0	27.9
Kent State Shootings	May-70	-2.5	-4.4	-4.1	2.2	26.8
Iranian Hostage Crisis	Nov-79	-1.0	3.2	11.4	3.0	25.9
USSR in Afghanistan	Dec-79	0.3	5.4	-7.8	6.4	25.7
Falkland Islands War	Apr-82	2.1	2.7	-3.7	5.8	34.5
Beirut Bombing	Oct-83	-1.6	0.1	0.7	-5.5	0.8
U.S. Invades Grenada	Oct-83	-1.5	0.6	-0.7	-5.5	0.7
U.S. Bombs Lybia	Apr-86	3.1	0.1	0.3	-0.6	17.7
Invasion of Panama	Dec-89	-0.8	-3.7	-3.4	3.7	-6.9
Iraq Invades Kuwait	Aug-90	-3.3	-8.1	-13.5	-2.1	10.2
Gulf War	Jan-91	4.4	16.7	22.6	20.6	32.3
Gorbachev Coup	Aug-91	2.2	0.1	3.0	7.0	9.1
World Trade Center Bombing	Feb-93	1.1	1.9	2.5	4.2	5.4
Oklahoma City Bombing	Apr-95	1.3	2.8	11.3	16.1	27.0
U.S. Embassy Bombings - Africa	Aug-98	-1.4	-6.1	2.7	14.6	19.3
U.S.S. Cole Bombing - Yemen	Oct-00	-1.6	0.1	-4.7	-14.6	-19.6
WTC and Pentagon Attacks - 9/11	Sep-01	-4.9	-1.1	4.3	6.9	-16.7
Bali Nightclub Bombing	Oct-02	5.9	4.9	11.0	3.9	25.1
Iraq War	Mar-03	-0.5	2.1	15.7	17.4	28.4
Madrid Terror Attacks	Mar-04	0.0	1.9	1.6	-0.7	7.6
London Train Bombing	Jul-05	2.4	2.6	1.6	6.6	6.6
India, Israel & Lebanon bombings	Jul-06	-2.8	-0.1	6.1	11.0	19.4
Russia Invades Ukraine (Crimea)	Feb-14	0.8	1.0	2.6	8.3	14.7
Mean		**-0.8**	**-0.4**	**1.8**	**4.8**	**12.3**
Median		**-0.8**	**0.3**	**1.6**	**4.2**	**14.7**
% Positive Return		**41%**	**66%**	**62%**	**69%**	**83%**

Source: Glenview Trust Co., *Reuters*

MONTHLY MARKET COMMENTARY, CONT.

WHAT TO DO WHEN EVERYTHING IS SO UNCERTAIN?

The knee jerk reaction to uncertainty is to recoil. But, history tells us that trying to time the market is a risky game. Very frankly, we do expect more volatility and market mood swings than we have experienced in the past few years. So, where should we be invested in this environment? We continue to favor value over growth and higher dividend yielding equities. As most developed international benchmarks skew more toward value and have higher yields, that could be a decent place to be as well.

History also tells us that almost every year we get market corrections. The average correction intra-year is 14%, which is just about where we are in 2022. Investing is a long-term game with both ups and downs. As Warren Buffet says "the reality is when you invest for the long term, the time you spend in the market is more important to than the time you enter the market."

Charles E. Chesebrough, Jr. CFA®
Senior Vice President

WHAT'S NEW AT MORAN WEALTH MANAGEMENT

CLIENT NOTICE!

Transition to BNY Mellon | Pershing

We are working closely with the BNY Mellon | Pershing team to ensure a smooth transition with as minimal disruption as possible. We are targeting the second quarter of 2022 for our transition. In the coming months, we will be sending you further communication regarding the details of the transition.

In the meantime:

- Please review the emails you have on file for your contacts at Moran Wealth Management. Please ensure that all emails end with our "@moranwm.com" domain name versus "@wfafinet.com". The “@wfafinet.com” domain name will not work after our transition. All phone numbers and addresses will remain the same after we move to Pershing | BNY Mellon.
- Please ensure that you have online access setup at Wells Fargo Advisors Financial Network. This will help facilitate a smoother transfer for you because Wells Fargo Advisors Financial Network will continue to host your historical documents. If you need assistance setting up online access, please call 239-920-4440.

WHERE WE GIVE

At the core of our philosophy is the belief that responsible stewardship of wealth includes giving back to the community. At Moran Wealth Management, it is our privilege to support some incredible charities and non-profit organizations through both event sponsorships and volunteer efforts.

Learn more about some of our beneficiaries and their missions.

Featured Charity:

Youth Haven

Youth Haven of Southwest Florida provides children and teens with an immediate lifeline of home, hope, and healing.

MORAN WEALTH MANAGEMENT
CENTER FOR FINANCIAL EDUCATION

We will resume seminars following the completion of our transition to BNY Mellon | Pershing

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