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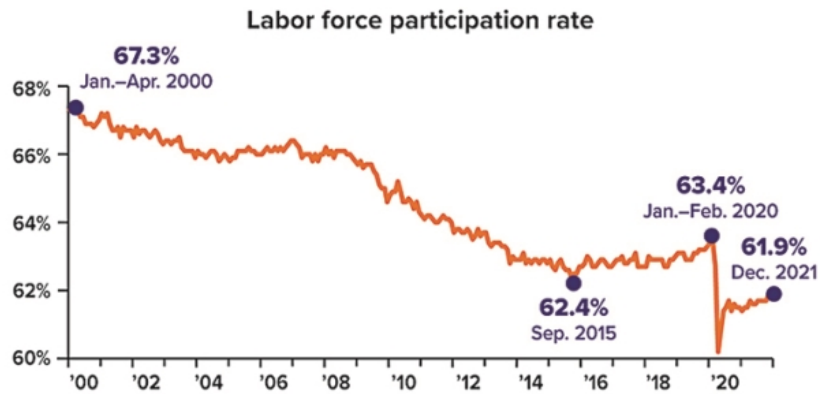
Be sure to read John Stewart's article **Bond Market Bloodbath** below.

## Where Are the Workers?

The labor force participation rate — the percentage of Americans age 16 and older who are working or actively looking for work — peaked in early 2000, when it began to drop due to aging baby boomers and more young people in college. Participation was rising before plummeting at the onset of the pandemic.

The rate has only partially recovered due in large part to accelerated retirement among workers age 55 and older. Other reasons include fewer child-care workers, reduced immigration, and many workers unwilling to return to low-paying jobs. Some experts believe it may never return to pre-pandemic levels. The question for the U.S. economy is whether technology and other productivity measures can maintain economic growth with a smaller percentage of the population in the workforce.




Sources: U.S. Bureau of Labor Statistics, 2016 & 2022; *The Wall Street Journal,* October 14, 2021; CNN, December 15, 2021

# Bond Market Bloodbath

Most people give all their attention to how the stock market is doing with little concern for the bond market. That's partly due to the stock market being far more exciting (for most people), and the fact that most people consider their bond investments to be relatively safe and stable. Most investors have far more exposure to the bond market than they probably realize, and that's not necessarily a bad thing. Most of the time, high quality bond investments are very stable and secure. When interest rates rise rapidly, however, as they have in the past few months, bond prices take a hit. Longer-term Treasury bond prices have fallen 4% in value in just the past week alone. For the Aggregate U.S. Bond market, the first quarter was the worst return (-6%) for any calendar quarter since 1980 (Side note – that's the year I was born – so I guess you can figure out how old I am). If you have significant investments in bonds or bond mutual funds, they have failed to provide protection from the recent weakness in the stock market, which they are historically known to do a rather good job of. Fear not; unlike the stock market, bonds have specific terms of interest and principal payments, and over time higher interest rates will help bond investors earn more income. This should be a classic case of taking one step back in order to take two steps forward.

Given the recent geopolitical turmoil, investors have been made aware of the importance of knowing ***where*** the companies they own generate their revenue, and the risk associated with those parts of the world. Companies you own may be domiciled in the United States, but generate a substantial portion of their income overseas. For example, McDonald's gets about 5% of its sales from Russia, which is a big part of the reason the stock plummeted nearly 20% between January and March. The reaction was obviously overdone, and the shares have recovered about 2/3 of that loss, but you get the point.

Many U.S. companies have significant exposure to China, which is in the midst of a dramatic economic slowdown in part due to renewed COVID pressures. The same is true of Europe, which is reeling from a combination of skyrocketing energy costs and war-related pressures. Just be careful to do your homework; your U.S. stock portfolio could be far more global than you realize.

With the first quarter in the rearview, we will begin to get corporate earnings reports in the coming weeks detailing what happened in the first three months of the year, as well as some insight into what companies expect business conditions to look like as we move through the balance of the year. If you are a regular reader of this newsletter, you should know that future expectations are far more important than anything that already happened in the past. Earnings estimates for the next two quarters started falling late last year, but they have been holding up in recent weeks as analysts await more information from corporate managements. Slowing economic growth and input cost pressures are likely to create some caution on the part of business leaders regarding future sales and earnings forecasts. If this precipitates another leg down in earnings estimates, we may see more near-term pressure on the stock market in the coming weeks. Helping to offset that risk a bit is the fact that investor expectations are already quite low given the pervasive bearishness that already exists across the investment landscape.

# Baseball Lessons That Might Help Change Up Your Finances

Baseball stadiums are filled with optimists. Fans start each new season with the hope that even if last year ended badly, this year could finally be *the year.* After all, teams rally mid-season, curses are broken, and even underdogs sometimes make it to the World Series. As Yogi Berra famously put it, "It ain't over till it's over."[1] Here are a few lessons from America's pastime that might inspire you to take a fresh look at your finances.

## Proceed One Base at a Time

There's nothing like seeing a home run light up the scoreboard, but games are often won by singles and doubles that put runners in scoring position through a series of hits. The one-base-at-a-time approach takes discipline, something you can apply to your finances. What are your financial goals? Do you know how much money comes in and how much goes out? Are you saving regularly for retirement or for a child's college education? Answering some fundamental questions will help you understand where you are now and help you decide where you want to go.

## Cover Your Bases

Baseball players must be positioned and prepared to make a play at the base. What can you do to help protect your financial future in case life throws you a curveball? Try to prepare for those "what ifs." For example, you could buy the insurance coverage you need to help make sure your family is protected. And you could set up an emergency account that you can tap instead of dipping into your retirement funds or using a credit card when an unexpected expense arises.

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### Take Me Out to the Ball Game

The average cost of taking a family of four to a Major League Baseball game during the 2021 season was $253. Costs varied across the league, with Red Sox fans paying the most and Diamondbacks' fans paying the least.*


*Based on the Fan Cost Index from Team Marketing Report, which Includes price of four nonpremium tickets, parking, two draft beers, four soft drinks, four hot dogs, and two adult-sized adjustable hats.

Source: The Athletic, 2021

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## Expect to Strike Out

Fans may have trouble seeing strikeouts in a positive light, but every baseball player knows that striking out is a big part of the game. In fact, striking out is much more common than getting hits. The record for the highest career batting average record is .366, held by Ty Cobb.[2] As Ted Williams once said, "Baseball is the only field of endeavor where a man can succeed three times out of ten and be considered a good performer."[3]

So how does this apply to your finances? As Hank Aaron put it, "Failure is a part of success."[4] If you're prepared for the misses as well as the hits, you can avoid reacting emotionally rather than rationally when things don't work out according to plan. For example, when investing, you have no control over how the market is going to perform, but you can decide what to invest in and when to buy and sell, according to your investment goals and tolerance for risk. In the words of longtime baseball fan Warren Buffett, "What's nice about investing is you don't have to swing at every pitch."[5]

## See Every Day as a New Ball Game

When the trailing team ties the score (often unexpectedly), the announcer shouts, "It's a whole new ball game!"[6]

Whether your investments haven't performed as expected, or you've spent too much money, or you haven't saved enough, there's always hope if you're willing to learn from what you've done right and what you've done wrong. Hall of Famer Bob Feller may have said it best. "Every day is a new opportunity. You can build on yesterday's success or put its failures behind and start over again. That's the way life is, with a new game every day, and that's the way baseball is."[7]

*All investing involves risk, including the possible loss of principal. There is no guarantee that any investment strategy will be successful.*

1, 3-4, 6-7) BrainyQuote.com

2) ESPN.com

5) quotefancy.com

# Planning to Quit Your Job? What to Know Before You Go

About 4.3 million U.S. workers quit their jobs voluntarily in December 2021, after a record 4.5 million quit in November — the largest number since the Bureau of Labor Statistics (BLS) began recording voluntary job separations in December 2020.[1]

There are plenty of theories about why people are quitting in droves, including a strong job market and pandemic-induced worker burnout. Regardless of your reasons, here are a few important considerations to keep in mind before you join the employment exodus.

**Your plan should reflect reality.** Unless you already have a new job lined up, be realistic about how long it might take to re-enter the workforce. According to the BLS, almost one-third of individuals who were unemployed in December 2021 had been out of work for 27 weeks or more.[2] Could you afford to maintain your current lifestyle without being paid for six months or even longer? You might need sufficient savings to cover your expenses for at least that long.

***Before giving notice, assess your entire range of financial needs and the potential consequences of quitting.***

**You may incur new expenses.** Voluntarily leaving your job can affect your financial security in other ways, too. For example, you might lose important workplace benefits, such as typically more affordable group life, health, and dental insurance, and access to an employer-sponsored retirement plan. Maintaining these benefits while unemployed could be financially burdensome at best — or impossible at worst. Before giving notice, assess your entire range of financial needs and the potential consequences of quitting.

**It can pay to stay.** Because hiring and training new workers can be time-consuming and costly, some employers may be more willing to make concessions to keep the employees they already have. Whether you want a higher salary, new responsibilities, or a different work/life arrangement, this could be an ideal time to make your case to your employer. Consider listing examples of the current and future value you bring to your job. Then schedule a meeting with your manager to discuss those points and make a proposal. It could turn out to be a win-win proposition.

1-2) U.S. Bureau of Labor Statistics, 2022