

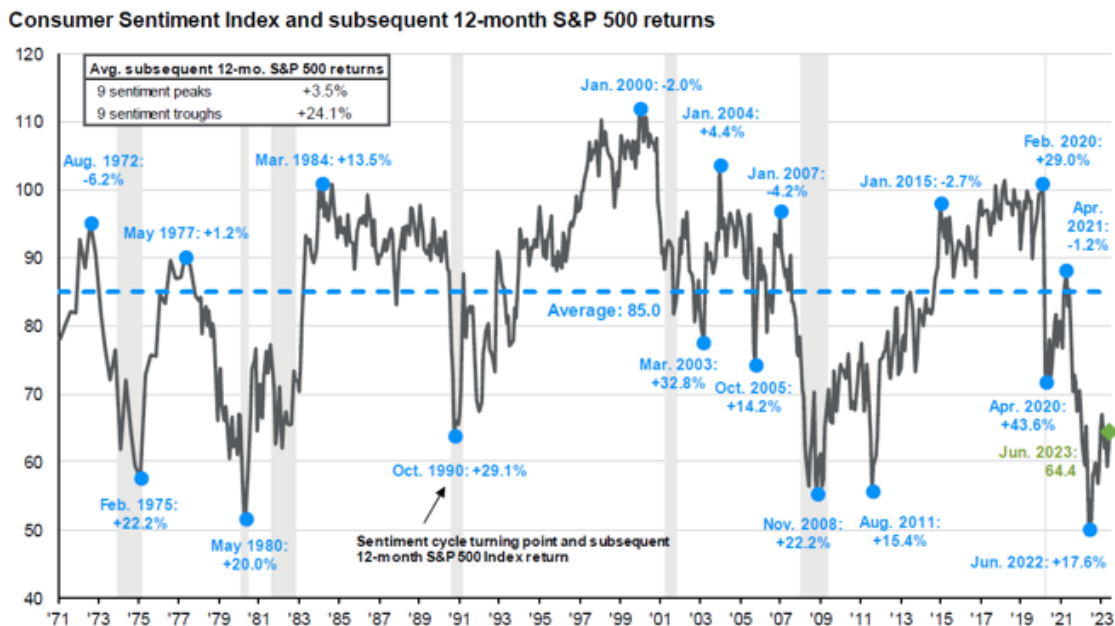
# WEEK IN REVIEW

JULY 21, 2023

## NEGATIVE CONSUMER ATTITUDE ONCE AGAIN LEADS A MARKET RECOVERY

This year's market performance is more evidence that investor sentiment can turn on a dime. The history of bear markets and short-term corrections shows that markets can turn around when it's least expected, especially when investors are most pessimistic.

This was true at the start of the year when few believed markets would ever recover, similar to how it was in April 2020, mid-2011, March 2009, October 1987, and so on. Each market downturn was driven by a real event such as a surge in inflation, the pandemic, the U.S. debt downgrade, the global financial crisis, or even Black Monday. However, in every case, investors expected these events to continue to worsen, even as fundamentals and valuations quietly improved resulting in strong returns one year later. While downturns are certainly painful, history shows that it's often better to stay invested in an appropriately constructed portfolio.



Source: J.P. Morgan Research

While off the historical sentiment low of June 2022, consumer sentiment remains well below historical standards. This is important because two-thirds of the U.S. economy is driven by consumer spending. Stubbornly low consumer sentiment suggests a high level of uncertainty about the future remains in the mind of the consumer. As the Federal Reserve continues to tighten financial conditions to bring down inflation, and consumer sentiment remains tepid, risks for a slowdown in the economy remain, potentially curbing the recent market recovery. Consumer sentiment and Federal Reserve policy notwithstanding, the likelihood of a deep recession is arguably feared less than it was a year ago.

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