RUBEY $ RUST
CAPITAL MANAGEMENT, LLC

Second Quarter - 2022

Written by: Charles C. Rubey, CFA & Margaret Rust, CFA

MONEY MATTERS

Rubey RUST

Inside this issue:

Life-Time Cash-Flow

- **"What is a LifeTime CashFlow?"**
- This is ***Rubey & Rust's*** proprietary financial planning analysis. It allows us to place your entire financial life onto one piece of paper. It is a living tool which will estimate where you are and where you are

Surviving the Bear

Congratulations! You have become a more sophisticated investor simply by sticking with this market and your portfolio during this decade's first (& hopefully only) bear market. Yes, it's rough. But you haven't sold at the bottom and you've been buying high quality, mostly dividend paying stocks at amazing prices. Stocks are on sale as compared to last Fall's market highs. Buying low is the goal. The catch is that when stocks are low, you're not in the mood to be buying more. Funny how that works...

It does appear that we are close to the bottom. We won't know when or where it is until after the fact, but with indices down 25% or more and portfolios and many mutual funds down 30%++, our firm's logic (& the charts) tells us that we are close.

The market bottoms before the economy historically, thus the only way to participate in the anticipated "bounce" is to be "in" the market.

It might help to remember that the market turned on its head in March 2020 (the Pandemic) and that in 2018 & 2015, the averages also posted negative years. That's just the recent past and your portfolios survived those tumultuous times, and it will survive this one. In the months and years to come all will be revealed (ha ha) and we'll know the whys behind this bear market.

Some reasons are clear. Many stocks got way too high and there was lots of excess liquidity with the stimulus and stock market wealth creation. With all that money in the system, demand went through the roof! Because of the pandemic shut downs both in the US and abroad, we had supply chain constraints which caused inflation as there was too much demand for the available supply. And then the Ukraine nightmare caused an energy & food crisis - more supply constraints and thus more inflation. In summary, the world is very out of balance right now. To attack inflation, the Fed is raising interest rates which creates significant headwinds for the markets.

From the individual investor's perspective, the only thing we can do is buy low, not sell, tighten our belts and wait it out. I know it's not fun (believe me!) but we can get through this together :) We've done it before and it's not different this time. Time will pass, the markets will mellow, the world will find balance and portfolios will begin to grow once more.

Sources: Yahoo Finance & Margaret Rust, CFA

2nd Quarter 2022 Stock Market Update

The 2nd quarter saw the markets continue to decline as a result of the ongoing expectation that the economy would slow down as a result of supply chain problems, the war in Ukraine, and inflation. Not surprisingly, we saw the Dow Jones Industrial Average selloff 11.3%, the SP-500 decline 16.4% and the NASDAQ average (representing the tech industry) fall 22.4%. These declines were further supported by fewer retail sales. It might be too early for predictions as job gains are doing well and unemployment is under 4%, its lowest level in years. The biggest worry, however, is that we are seeing the highest inflation in probably 40 years. It is currently running at 9.1% through June.

This inflation news has the Federal Reserve actively increasing interest rates, the first being 0.25% for short-term borrowing in March, and then a 0.50% increase in May. This was followed by a full 1.0% increase in June. And, as of today, July 27th we have a 0.75% hike for July. This policy change means the end of the Fed buying short term bonds; it is now selling them. This 'selling' now allows interest rates to rise. In 2020 and 2021 the Fed tried to keep interest rates low by buying the bonds to keep the economy going during the Covid pandemic. With the Covid relief bill, more money went to stimulate the economy, thus, many of the lost jobs have come back.

Regarding the GDP, or gross domestic product, it's a measure of our economic health. In 2021, it was +5.6%. In first quarter of 2022, it was down 1.6% and it is estimated to be down 1.7% in the second quarter (see the "What is a Recession" article on page 3). This is not good news; when two quarters are consecutively down it indicates a recession is on the horizon or already happening, especially when the stock market drops ~20% as it did in the 2nd quarter.

The total Federal deficit now is about $30+ trillion going into the 2nd quarter of this year. More debt will be added now that the infrastructure bill has passed. This bill offers yet again more job opportunities for those out of work.

In summary, 1st quarter saw all the averages down and the worsening market continued in the 2nd quarter. Let's hope the Fed's rate increases and selling of bonds helps to get inflation under control and improves the supply chain problems. Covid and the war in Ukraine may take some time, but we keep praying for a miracle !

Sources: Information should not be relied upon by the reader as research or specific investment advice, nor should it be considered as a recommendation to purchase or sell a security. Sources: Morningstar.com; Barrons ; CNBC.com; Google; Charles Rubey, CFA, TradeStation, Yahoo

TD Ameritrade begins to Transition to Schwab

TD Ameritrade, Institutional both have a great on-line presence. As TDA migrates into Schwab, you'll need to have your ***www.advisorclient.com*** log-in current & working. This will make your experience much more smooth. Please set up your on-line presence now @:

www.advisorclient.com

You'll need one of your account numbers. Then follow the prompts :)

RubeyRust.com
Check out our Website

Please visit **www.rubeyrust.com**

You will find information on who we are and how we strategize to help you become your best financial self. There are a few cute pictures and copies of our latest newsletters and hopefully some interesting articles. You can also log in directly to the TD Ameritrade, Institutional website to view your accounts.

Let us know what you think !!

Written
by: Charles C. Rubey, CFA & Margaret Rust, CFA

The Squeeze

Are you feeling it ? The squeeze ? Inflation, the supply chain crimps, the retreating bank & brokerage accounts, rising interest rates and a tightening job market are all contributing factors that make the "Upper Middle Class" feel significantly less comfortable. The Wall Street Journal's article, "The Upper Middle Class is Getting Squeezed" dated, July 25, 2022, defines the upper middle class as a household earning between $75,301 and $127,300 annually. They make more than 60% of other households, but less than the top 20% of earners.

Poorer families might feel the effects of inflation more deeply but they've also had the biggest wage increases and have the smallest amount of their net wealth in the stock market. Richer families, meanwhile, have been hurt by stock market losses but are a bit insulated from inflation simply because they have more money available.

Economists estimate that the Upper Middle Class group is feeling the pinch more than other groups because they tend to spend more on driving as they often live in suburbs and thus commute more. Further, they were able to save more money during the pandemic from factors like stimulus, reduced expenses and a higher stock market; all trends that have dramatically reversed. Thus, consumer sentiment for these folks has fallen more than other groups.

Anyone who retired in the past 12 months is suddenly wondering if they'll have enough and many are working part-time jobs to reduce the need for savings or retirement account withdrawals. This is actually a good idea as it gives a stock portfolio a chance to reinvest any dividends and grow again when the market begins to turn up.

Most folks interviewed remain optimistic however, that the markets will rebound and inflation along with the economy will once again find balance. All said, being forced to tighten one's belt is never fun. *Source: WSJ, "The Upper Middle Class is Getting Squeezed, July 25, 2002 & Margaret Rust, CFA*

What is a Recession and Will We Know if We Are in One ?

According to Forbes.com/advisor, a recession is a significant decline in economic activity that lasts for months or years. Negative GDP prints, rising levels of unemployment, falling retail sales and contracting income & manufacturing are all signs. In 1974 an economist, Julius Shiskin came up with a few rules of thumb to define a recession. This more popular rule of thumb is two consecutive declining quarters of GDP. Shrinking GDP suggests serious underlying problems and thus this simple definition has become the standard over the years.

The National Bureau of Economic Research (NBER) defines a recession as: **A significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production and wholesale-retail sales.**

The NBER's definition is a little more flexible than Shiskin's two consecutively declining quarters definition. Covid was a good example of this as we had declining GDP for 1 quarter, a bit of a recovery and then another decline. NBER would more definitely call this a recession whereas Shiskin might not. All said, the GDP did decline in both the 1st & 2nd quarters in early 2020.

With so much talk of recession in the news, it is interesting to note that the 1st quarter of 2022 did print a negative GDP of -1.6%. We'll know the 2nd quarter GDP number in the next few days (July 28th, I believe). I tend to think that we might not know we are in a recession until it's almost over….but that's me and my glass 1/2 full perspective :)

Source: Forbes.com/Advisor website, "What is a Recession" by David Rodeck & Benjamin Curry & Margaret Rust, CFA

Written by: Charles C. Rubey, CFA &
Margaret Rust, CFA

2022 2nd Qtr & YTD Index Returns

	2Q22%:	6/30/22 YTD
DJIA:	-11.30%	-15.3%
S&P 500:	-16.40%	-20.6%
NASDAQ:	-22.40%	-29.5%

Indices are unmanaged portfolios and not available for direct investment. Quoted index returns, like you see on the left, assume that dividends are ***not*** reinvested and are often referred to for comparative purposes. Returns are calculated from TradeStation & YCharts.

RRCM does not give advice on estate settlement and/or insurance matters related to income tax or estate tax issues. RRCM will receive no compensation, direct or indirect, in connection with the providing of such services.

Your Account Security @ Schwab

Schwab Security Guarantee

To give our clients peace of mind, we provide the Schwab Security Guarantee, which states: Schwab will cover losses in any of your Schwab accounts due to unauthorized activity.

TD Ameritrade Brokerage Money Market Rates are Improving!

Starting on June 24, 2022, the TD Ameritrade Cash rate was increased from 0.01% to 0.10%. You will actually see a cash adjustment to your account as this interest income wasn't posted until July 27th.

Hooray, we'll take it !

The Advice you Need; The Control you Want

Rubey Rust ***Capital Management, LLC***

2528 Alamo Country Circle
Alamo, CA 94507
Phone: 925/933-1806
Cell: 925/997-0994
Fax: 925/944-4850
Email: margaret@rubeyrust.com
www.rubeyrust.com

Rubey & Rust Capital Management, LLC

is a SEC Registered Investment Adviser. We help people create & maintain wealth. Our goal is to provide our clients with customized, personal service in a fee only environment.