

I Learned Something New from “It’s a Wonderful Life”

By Bob Deitrick, CEO

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When I was watching the old Jimmy Stewart, Frank Capra classic “It’s a Wonderful Life” for the 93rd time at Christmas, I noticed something this time I had not seen before. It is fascinating to me that when you pay close attention; indeed, you can find some interesting material at times. In the scene where George is chatting in his office with his Uncle Billy, played by Thomas Mitchell, I noticed a plaque in George’s office that had the following phrase below his father’s portrait. It read:



“All you can take with you is that which you’ve given away...”

*I found this inscription compelling - it provided great meaning and solace to me. I was taught by my parents that **giving back** is the foundation to creating success in life. Not giving foolishly but giving with some meaning and thought behind it. Steven and I have strived to give back to our clients, our family, friends and to our neighbors in Columbus as well. We have made significant donations to assist several charitable causes through our business during the pandemic over the past two years.*

Giving back holds significance and relevance to the stock market also. *The market has gone up significantly over the past 12+ years - going back to when we aggressively told our clientele at PFP to get back into the market in May of 2009. But for the market to continue its’ bull market trajectory that we’ve enjoyed; the market must **give back** some of its’ gains each year to take a breather before taking the next big step up. **Giving back some of these gains**, as you know, is called a correction. Corrections are necessary and beneficial for the market to move forward.*

Some have portrayed the last three weeks as the market tanking - doom and gloom et al. We disagree. Tanking connotes the extreme. The market entered correction territory last week for the NASDAQ and the Russell 2000 and we encountered “Mr. Toad’s Wild Ride” yesterday as the market fluctuated 1200 points in a single day. I have discussed this notion often in our newsletters over time.

Corrections are an important and necessary dynamic to a healthy stock market.

We did not have one correction last year which was extraordinary and concerning. The last correction was in September of 2020, so we were overdue. It is surprising to see this in January but be that as it may for better or for worse, it is best to rip the band aid off and get it over with early in the year. The catalyst for these events can be anything. Last week, it was the headline news on inflation as well as ongoing concerns about the Covid variant. Having said that a little inflation - after having had none for 25 years is not extraordinary; in fact, it may be a good thing for some market sectors. Keeping interest rates near zero through the pandemic was not healthy either. Corrections are not enjoyable, but they are vital for the market to remain robust.

Despite this January correction, we believe we have a favorable 2022 in store; albeit the gains will likely come in the second half of the year. The market will struggle in the first two quarters as we recalibrate through numerous supply chain glitches being worked out: in addition to ongoing concerns about the Covid variant and an eminent threat from Putin toward the Ukraine. We suspect that the first half may be down but in the second half we look for a rebound back to bull market status with the S&P 500 finishing up modestly at 5,000 to 5,250 by year end. Steven and I will make modest course corrections this quarter toward large caps to be more defensive and we will look for opportunities where sectors have been oversold over the past 12 months creating opportunity. Energy is a key space we will look at in 2022 as the structural shortage of oil continues and demand will likely increase post-pandemic. Healthcare will recover as earnings and as P/E ratios expand. FAANG, QQQ, Healthcare and big cap Pharma are four of our top sector pics for the new year as they're geared up for a bounce. Our top sector pics for 2022 are:

- Energy*
- FAANG and Mega Tech*
- Healthcare and Biotech Firms*
- Banks and Brokerage Firms*

Please keep in mind things are fluid and changing all the time. We will monitor these events as they happen in real time. We were pleased with 2021 and the last three years. 2022 lends itself to being more in line with our traditional sector pics of mega-tech, biotech, and healthcare as they return to the winner's circle. As always, please call us with any questions when they arise. Always feel free to reach out to Steven or myself at any time.

*Have a terrific week! Please do not fret about the market. We've had an outstanding three years and a correction was overdue so don't worry, we believe - **this too shall pass**. Thank you for your business and we wish all our mom's a Happy Valentine's Day coming up in a few weeks!*

Bob Deitrick

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