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Stock market's deep sell-off puts 401(k) investors on edge

By Susan Tompor (excerpt)
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Are nervous consumers who are grumbling all the way to the grocery ready to call it quits?

Is inflation driving them to reconsider how often they open their wallets? If so, are we closer to a recession than some might have imagined several months ago?

Or are consumers in good shape and simply spending more now on vacations, home renovations and a variety of services and spending less on much of the things they were buying during the pandemic at retailers like Target, Walmart and Amazon? It's been a brutal week for 401(k) plans as Wall Street faced troubling, steep losses fueled by inflation woes and recession worries.

We are looking at the eighth week in a row for the Dow Jones Industrial Average to post losses — the longest weekly losing streak since 1923. ...

... Both stocks and bonds have been ugly

Investors are seeing tough times for both stocks and bonds, which isn't typical.

David Kudla, CEO of Mainstay Capital Management in Grand Blanc, noted that both the stock and bond markets have reacted adversely since early this year, as investors anticipate how aggressively the Federal Reserve will need to raise short-term interest rates to drive inflation lower.

How much and how fast inflation comes down, Kudla said, will determine whether the Fed can ease up on its tightening policy.

"And this will determine the direction for markets through the remainder of 2022," Kudla said.

He noted that technology companies typically suffer more in market sell-offs that are triggered by rising rates and that has already happened this year.

"Value stocks and commodities companies that perform well during times of high inflation are obviously holding up very well," he said. ...

*Please contact Mainstay at 866-444-6246 to request a copy of the full article.