INVESTMENT UPDATE

ROMANO
WEALTH MANAGEMENT
CELEBRATING 60 YEARS
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MEMBER FINRA / SIPC

FALL 2022

A 60 YEAR RETROSPECTIVE

It was 60 years ago that two brothers, Bob and Dick Romano, discovered a need for what they believed to be a sensible, efficient and reasonably priced investment service. The concept was then, as it is now, to help clients plan their investment needs and strategies in accordance with their goals and comfort levels. In those days there were few registered investment advisors and consequently most investment accounts were handled through conventional brokerage relationships, so that's the route we took.

It was August 3rd, 1962 that we received notification from the SEC that our application to become a brokerage firm was accepted. Not having had any professional experience in the securities industry, the climb up the mountain was steep and long. There was a lot of learning to do. With a bit of hard work, a dose of perseverance and a huge amount of good fortune, the idea caught on, and as we fast forward to today, we are a very healthy firm dually-registered as Investment Advisors and Broker Dealers, holding $1.5 billion of client assets with a staff of 15 very talented professionals dedicated to delivering outstanding investment services to approximately 1500 wonderful clients.

The changes that have occurred in financial markets and investment products have been nothing short of amazing. Stock markets themselves have changed markedly over the years. In the early 1960's there was no automation besides the telephone and the telegraph. Orders were transmitted to the New York Stock Exchange by telegraph and the over-the-counter market (OTC) business was done firm to firm by telephone. There was no central clearing house for transactions where sellers delivered securities and received money and where buyers paid money and received securities. Imagine, every transaction was settled by physical delivery of a stock or bond certificate in exchange for a check. This was the era of the paper ticker tape for reporting transactions.

By the late 60's and early 70's computer processing of transactions started to occur and the volume of trading began to accelerate. But the systems were fairly primitive and in the early 70's the ability of the industry to process the trades accurately fell behind our hastened trading capacity, and we had massive paper jams in the system industrywide. Trade processing became so bogged down that trading was shut down every Wednesday for about a year, and then closed two hours early every day.

All of this is well behind us. Today we have unimaginable computing power on every employee's desk and incredible information transmission and storage capacity. We have automated systems for order entry, execution, confirmation and clearing. No longer do we see messengers up and down LaSalle Street or Wall Street delivering securities versus payment. Our clients get their interest and dividends credited to their accounts automatically rather than receiving a myriad of quarterly checks. Tax reporting is incredibly simplified. We now get one very detailed IRS 1099 for an account versus the old days when we received a 1099 dividend report for each company, and too often they were incorrect. The 1099 also reports to the IRS the gain or loss on every security sale, saving the clients a considerable amount of time and effort. Wonderful progress.

In the early 60's an average day of trading activity on the NYSE and OTC was 5 million shares, whereas today the typical day is 6 to 9 billion shares. The only venue where face-to-face trading occurs today is the NYSE, and it has declined to a small percentage of overall stock trading activity. With the advent of computers, very complex trading strategies and algorithms have been developed.

The menu of investment products has expanded enormously over the last 60 years. The whole panoply of derivatives such as options, futures, variable annuities, exchange traded funds, structured notes, swaps, SPAC's, cryptocurrencies and many more, either did not exist or were not widely traded. Money market funds weren't even born until the early 70's.

There have been market fads that have come and gone over the years. At various times we have seen bubbles in various stock groups. Early on it was life insurance stocks, then airlines, gambling stocks, oil and gas exploration, gold and gold mining, and more recently we had the dot-coms and mortgage-backed securities.

Not only have we had times of excess euphoria in our markets, but we've also suffered some dark periods (Yes Virginia, markets are volatile). Some of the more notable ones that come to mind are the great stagflation of the 70's when we had double digit inflation and a 20 plus percent prime interest rate with long Treasury yields upward of 16 percent, Black Monday, October 19, 1987, when we had a serious market panic that ended with the Dow Jones Average down 22 percent on that one day, the Long Term Capital debacle in 1998 that threatened the collapse of the whole banking system, the dot com meltdown of internet stocks in

A 60 YEAR RETROSPECTIVE (CONTINUED)

2000, and the near failure of the credit markets in 2009 and most recently the Covid-19 sell off in 2020. The take-away, however, is that as dark as those days were in real time, our markets have eventually recovered and gone on to new highs. This has been the history of our country, and our markets.

Today the major economic concern is the recurrence of inflation and concern about recession. To date, other than high and increasing prices, the economy is still strong but there are signs of slow down appearing. Is the situation hopeless?

Not at all. This is just another bump in the road which will gradually be worked out - not without some angst and agony, but based on my 60 years in the U.S. markets, I believe we have the greatest market system in the world that cyclically overindulges but eventually rights itself. And that is why we encourage our clients to take the long view of investing, and why we are confident that all will end up just fine.

We at Romano Wealth Management thank all of you, our friends and clients, for your trust in us and truly consider it a privilege to serve you. We are here to serve you and provide the best personalized financial advice possible. If we can help in any way, please let your portfolio manager know how.

Most sincerely,

Richard C. Romano
Chairman and Founder
Romano Wealth Management

INFLATION, THE FED, AND THE POSSIBILITY OF RECESSION

It's been a rough week (and year) for the market, with it re-testing June lows and the S&P 500 and NASDAQ indices back in official bear market territory (a 20% decline from index peaks) and the Dow nearly there with a -19.6% return year to date. Public Enemy No. 1 is inflation, which as noted in previous updates hit 8.3% in August, not far from the 40-plus year high posted in June. This is in addition to global uncertainty (i.e. war), food and energy shortages, supply chain problems and a host of other issues.

The biggest player in determining the future course of events is clearly the Federal Reserve. To combat inflation, this past week the Fed increased rates another 0.75%, bringing the Fed Funds Rate to 3.0% to 3.25%. This was in line with expectations but is notably the highest rate since the Great Recession 14 years ago. However, the Fed's "dot plot" or Fed Governors' expectation of future rates showed an even more hawkish Fed, indicating a benchmark interest rate of 4.4% by the end of this year and a terminal rate of 4.6% (previous indicators suggested 3.25% and 3.8% respectively). To make matters worse, the Fed also forecast lower economic growth (0.2% vs. 1.7% just three months ago) and higher inflation with the unemployment rate moving to 4.4% after job losses of more than 1 million workers.

This threw expectations for a soft landing out the window and sent the probability of entering a recession soaring. One could argue we are already there having already achieved the technical definition of two consecutive quarters of negative GDP growth, but skeptics argued "this time it's different" given the strong labor market.

A new reality has hit the market, with the majority of equity investors adopting the view that a hard landing scenario is inevitable and focusing now on the timing, magnitude, and duration of potential recession.

So how exactly then does an investor navigate such a difficult market? First, by resetting and expecting more volatility and the real possibility that things may indeed get worse before they get better. We must remind ourselves that we've not only seen—but endured—similar periods of market uncertainty and that we've continually prepared for such scenarios via proper asset allocation based on each client's individual objectives. We take care to manage portfolios so they are able to pay necessary cash flows without having to sell stocks in a down market.

With the two-year treasury jumping to as high as 4.25% and the 10-year yield hitting 3.82% as a result of the highest rate environment in 15 years, things are different now than in the persistent 0% rate environment. Bonds, in relation to equities and cash, are now increasingly attractive. As of this writing, we are starting to see short-term (2 to 3 years maturity), high-quality corporates in the 4.5% range and even 5% or higher in the 5-year range. For the most part this is the sweet spot of the yield curve offering the highest rates and least amount of interest and inflation risk given the shorter durations, but in some cases we are taking a longer view to take advantage of even higher yields.

Thank you for celebrating 60 years with us and thank you for your continued trust and confidence.

Joe Romano, President

WHAT OUR CLIENTS THINK OF 60 YEARS

"Congratulations on your 60 year anniversary!"
- Jan & Barbara A.

"Scott Miller for President!"
- Barbara (Babs) Kramer

"We have been very satisfied with Deb Cross and Romano."
- Peter & Beverly Feldman

"Joe Romano is a good friend and my trusted advisor."
- John Engdahl

"Romano Wealth Management has been central to us."
- Nelson & Pam Heller

"We have been with Romano since the late 1970's."
- Carol Venema Meeske

"I am grateful for the excellent care we've had from Doug."
- Carol Melnick

"Romano Wealth has always been at our side."
- Sally Cannon

"I appreciate what Brett has done for me."
- James Harris

"Both Dick and Joe were extremely helpful."
- Carolyn Kinsella

"I have been with Romano Brothers for many years."
-Cathy Hjelm

"For us you are part of our family history!"
- Cease and Paul Giddings

"The great job that Deb Cross has done is remarkable."
- Charles Ribak

"I can't say enough about Joe, Dick and all the staff!"
- Joan Eddy

"Thank you Dick and friends at Romano Wealth."
- Patricia G.

"Omar is a star along with the rest of the team."
- Cindy Kennedy

"Very happy with their performance."
- Edward Kight

"We have enjoyed a friendly relationship since 1982."
- Harriet Brandt

"Congrats on 60 years of service! Thank you Brett Larson."
- Honey Nixon

"We are delighted to celebrate this milestone as clients."
- Jama Pryor and Jen Lawrence

"Romano is different from other firms in the best way."
- Judy B. & Jim B.

"All A's in all categories!"
- John Bleveans

"Brett's advice has been sound and honest."
- Karen D.

"Deb Cross has been our advisor and friend for years."
- Kon & Leah Savoy

"We love working with Romano! We recommend them!"
- Margaret & Patrick Ghielmetti

"I feel safe with Romano and am thankful to be a client."
- Peggy Carver

"We are treated like family. My very best to all of you."
- Mary Ann Wells

"Deb cross has been helpful to me and my family."
- Paul Leonard

"I am greatful I chose Romano to manage my finances."
- Rosalinda Ursua

"I am getting excellent advice from professionals."
- Sylvie R.

Clients were not paid for testimonials. These testimonials may not be representative of the experience of other clients. Testimonials are no guarantee of future performance or success.

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PROTECTING YOUR PROSPERITY. SECURING YOUR FUTURE. SINCE 1962.

CHECK OUT OUR 60TH ANNIVERSARY VIDEO

Visit our website at www.Romanowealth.com/video
to view our commemorative video!

Our own Caryn Okubo is celebrating 25 years
of service with Romano Wealth Management this year!