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First Quarter 2022 Update and Commentary

Generating safe returns for our clients is the primary goal at Eliot Finkel Investment Counsel. Successful investing requires patience and a long investment horizon. Our focus on company fundamentals and economics backed by 48 years of experience and in-house research continues to produce superior results. This, plus the personal service we provide, explains why our clients have been with us, on average, over 17 years.

Since the dot com bubble broke in 2000, we have generated 8% annual returns for our clients, significantly outperforming both the S&P 500 (5%) and tech heavy Nasdaq (5%). An investment with us in March 2000 would be worth 65% more today than an equal investment in the S&P 500.

What a world! Just as the U.S. economy is growing rapidly, Covid is easing and inflationary pressures are peaking, Russia invades the Ukraine.

Domestic economic growth for 2021 was 7%, the strongest in decades, and better than much of the world. It looks set to continue, driven by pent-up consumer demand driven by pandemic related savings, corporate earnings which grew at the fastest rate since 1950, increasing employment numbers and record job openings.

The Omicron variants appear more contagious but less deadly than their predecessors. New drugs treatments have drastically reduced Covid hospitalizations, and all but eliminated deaths for vaccinated individuals.

Inflation has become a major concern due to supply chain issues, the surge in demand from prior government stimulus, wage pressures and an easing of the pandemic. To counter the inflation the Federal Reserve has eliminated its bond buying stimulus and implemented its first, quarter-point interest rate hike. The Fed has indicated there will be additional and potentially larger rate hikes following each of their remaining six meetings this year. The Fed's hawkishness should reduce the likelihood of a damaging inflation spiral. It most likely means an increase in long-term inflation to the 2-3% range which is the Fed's goal. Unfortunately, the interest rate hikes are likely to cause an economic slowdown over the next couple of years.

The conflict in Ukraine and sanctions placed on Russia bode further inflation as they are major suppliers of energy, wheat, fertilizer, palladium and other metals. On a more positive note, Europe and the other democracies of the world realize they need to reduce their dependence on Russian resources and arm themselves against the threat of Russian intimidation. The illusion that economic globalization will promote peace is gone. It will, hopefully, be replaced by greater economic independence and military cooperation among the world's democracies.

The stock market remains near all time highs supported by strong consumer demand, record corporate earnings and a lack of alternative investments. The companies in our portfolios are fundamentally strong, financially secure and, given current economic prospects, reasonably priced.

For more information please call 310-271-2521 or visit our website at efinvest.com. Thank you for your interest.