



July 2022 – The Case for Investing Continues

“There is absolutely no reason for us to assume the Germans are mounting a major offensive. The weather is awful, their supplies are low, and the German Army hasn’t mounted a winter offensive since the time of Frederick the Great. Therefore, I believe that’s exactly what they are going to do.”

– George C. Scott in Patton

Dark Clouds

Like the markets the news has been awful. Sometimes it seems that the only thing good we can say is that at least we do not live in Ukraine. One might even say that if we did not have bad news, we would not have any news at all.

In no particular order we are dealing with serious inflation, a very stubborn pandemic in Coronavirus, war, product shortages, higher interest rates, a strong dollar, higher mortgage rates, daily violence, a malfunctioning immigration system both for us and the immigrants, assaults on our Capitol and on our Supreme Court, and extreme politicization. The media seem so biased, one way or the other, and trivial and angry that many of us have stopped watching news and talk shows all together. We really do not want to be yelled at or watch “newscasters” yelling at each other. Oh yes, we also have had the worst stock market performance for the first half of the year that we have had since 1970. And if you had sold out of stocks and bought bonds, your performance was still bad; Deutsch Bank reported this was the worst bond market since 1788.

To refer back to our quote, we, therefore, believe that this is exactly the right time to buy and own stocks and bonds.

The Way Forward

Caveat: We know we cannot time or predict what the market is going to do now or in the near future. We are not attempting to call a market bottom. Our purpose is to help you stay with your overall financial principles and goals. No one knows their life expectancy, and most invest for the long-term. This market correction has presented us with an excellent opportunity to buy good companies at more attractive values.

When Callahan Advisors was formed, we were immediately greeted by the dot.com bust, and then, September 11. It turned out that that was also the exactly right time to buy stocks and bonds.

We have addressed timing the market many times in these letters. To reiterate, we do not believe in market timing. We continue to believe that investing in stocks, particularly those that are well capitalized with good earnings and cash flow, will always be rewarding. We have repeated Warren Buffett’s quote: “Be Fearful When Others Are Greedy and Greedy When Others Are Fearful” often. We acknowledge that you must understand your own tolerance for risk and not do anything with your investments that will make you miserable with worry.



One might wonder with all the bad things just mentioned what could turn it around. There are several things on the plus side. First, it is often said that the cure for high oil prices (or inflation) is high oil prices (or inflation) as higher prices reduce demand. Recent corrections in commodities such as copper and lumber may imply inflation is moderating. Secondly, wars do not last forever, and one positive result is that we have already seen a more unified and expanded NATO which should be a very stabilizing force against such behavior as we have seen from the Russian government. Third, we have seen decisive, thoughtful action by our Federal Reserve and other central banks. Medical science and drug companies have also given us effective and improving vaccines and treatments that, while not curing everyone, have dramatically reduced the effects and risks of this coronavirus and its variants. We could go on.

We believe that the companies in which we invest your funds are very good ones that have smart, motivated and capable people from top to bottom that find ways of managing in all environments. These companies grow or they don't survive.

In our January 2009 quarterly letter, we referenced a Dean Witter quote during the Great Depression and noted that he said this was not the first really bad economic period nor would it be the last. Recovery always comes. We can't forget that we are not yet in a recession nor is it certain that we will have one.

We have just celebrated Independence Day. For almost two hundred and fifty years, we have seen one group in power then the other. We have seen and done bad things in this country, and in times like these we have to ask ourselves: "Are our assumptions still valid?" If not, we must revise them. The market is the same way. So long as we believe our principles and act accordingly, we, and our investments, will be fine.

So let us all be confident knowing that this is in fact exactly the right time own stocks and bonds.

Thank you for allowing us to serve you and help you achieve your financial goals.