THE ATLANTIC GROUP
of Oppenheimer & Co. Inc.

The Current Yield

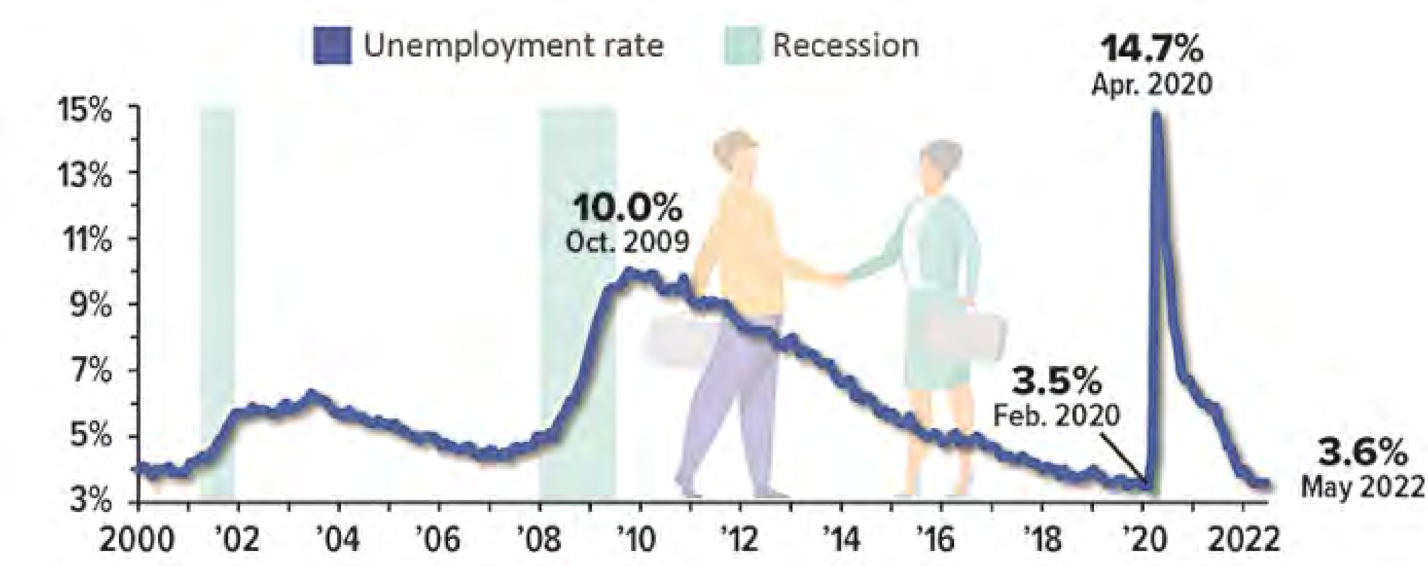
July 2022

The Atlantic Group
of Oppenheimer & Co. Inc.
999 Yamato Rd. Ste 300
Boca Raton, FL • 33431
561-416-8686
a.lerner@opco.com

Quick Recovery for Unemployment Rate

The U.S. unemployment rate skyrocketed to 14.7% in April 2020 when the economy shut down in response to the pandemic. This was by far the highest rate since the current tracking system began in 1948. Fortunately, employment has recovered at a record pace — the unemployment rate was just 3.6% in March, April, and May 2022, nearly the same as before the pandemic.

The official unemployment rate only reflects unemployed workers who are actively looking for a job. A broader measure that captures workers who want a job but are not actively looking, as well as part-time workers who want full-time work, dropped from 22.9% in April 2020 to 7.1% in May 2022.



Source: U.S. Bureau of Labor Statistics, 2022; National Bureau of Economic Research, 2022

Diversifying Your Portfolio with International Flair

Global economic growth is projected to drop from a 5.8% rate in 2021 to 3.3% in 2022, as the world grapples with repercussions of the Russia-Ukraine war and ever-changing conditions wrought by the pandemic. Growth forecasts of 3.3% for the United States and 2.4% for the euro area in 2022 (down from 5.6% and 5.2%, respectively, in 2021) reflect the prospect of supply constraints along with rising inflation and interest rates. China's growth is projected to slow to 5.1% in 2022 from 8.1% in 2021 due to its zero-COVID strategy and languishing real estate sector.[1-2]

Investing internationally provides access to growth opportunities outside the United States, which may boost returns and/or enhance diversification in your portfolio. But foreign securities carry additional risks that may result in greater share price volatility; these risks should be carefully managed with your goals and risk tolerance in mind.

Foreign Factors

It's more complicated to perform due diligence and identify sound investments in unfamiliar and less transparent foreign markets. Plus, there are potential risks that may be unique to a specific country.

Politics and economic policies. A nation's political structure, leadership, and regulations may affect the government's influence on the economy and the financial markets.

Currency exchange. If a domestic currency is strong against a foreign currency, purchasing power is gained when exchanging to the weaker currency. If the foreign currency continues to weaken, any investment gains and the principal may lose value when exchanged back to the domestic currency.

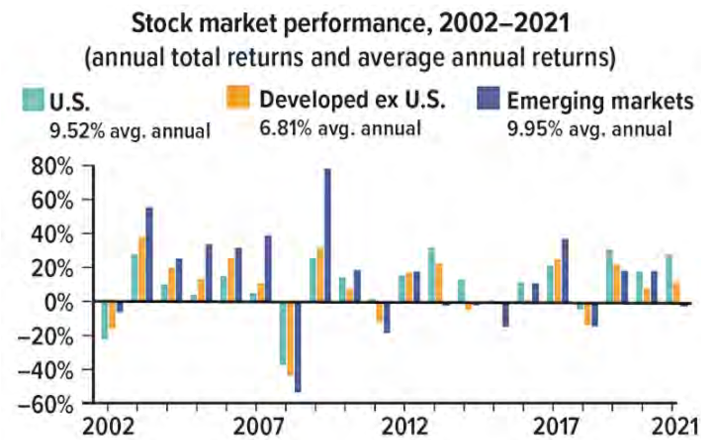
Financial reporting. Many developing countries do not follow rigorous U.S. accounting standards, which makes it more difficult to have a true picture of company performance.

Global Strategies

One way to invest in foreign markets is with mutual funds or exchange-traded funds (ETFs). The term "ex U.S." typically means that the fund does not include domestic stocks, whereas "global" or "world" funds may include a mix of U.S. and international stocks.

International stock funds range from broad funds that attempt to capture worldwide economic activity, to regional funds and others that focus on a single country. Some funds are limited to companies in developed nations, whereas others concentrate on nations with emerging (or developing) economies. Emerging-market stocks might offer greater growth potential, but they are riskier and less liquid than the stocks of companies located in advanced economies.

Global Performance Picture



Source: Refinitiv, 2022, for the period 12/31/2001 to 12/31/2021. U.S. stocks are represented by the S&P 500 Composite Total Return Index, developed ex U.S. stocks are represented by the MSCI EAFE GTR Index, and emerging market stocks are represented by the MSCI EM GTR Index; all are considered representative of their asset classes. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Rates of return will vary over time, especially for long-term investments. Past performance is not a guarantee of future results. Actual results will vary.

It may be tempting to increase your exposure to a booming foreign market, but chasing performance might cause you to buy shares at high prices and suffer more losses when conditions shift. If you decide to spread your investment dollars around the world, be prepared to hold on during bouts of market volatility. Still, you should rebalance your portfolio periodically to help ensure that your exposure to international stocks has not drifted too far from your intended allocation — to the detriment of your long-term investment strategy.

Investors should keep in mind that selling investments in a taxable account could result in a tax liability. Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. The return and principal value of all stocks, mutual funds, and ETFs fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Supply and demand for ETF shares may cause them to trade at a premium or a discount relative to the value of the underlying shares.

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1) S&P Global, 2022

2) International Monetary Fund, 2022

Inflation Protection for Investment Dollars

For the 12-month period ending in May 2022, the Consumer Price Index for All Urban Consumers (CPI-U) — the most widely used measure of inflation — increased 8.6%, the fastest pace in 40 years.[1] The rate may trend downward as the Federal Reserve raises interest rates and supply-chain issues improve. But inflation is likely to be relatively high for some time.

High inflation not only hits consumers in the pocketbook for current spending, it also has a negative impact on the future purchasing power of fixed-income investments. For example, a hypothetical investment earning 5% annually would have a *real return* of –2.5% during a period of 7.5% annual inflation. This rate of return might be further reduced by taxes.

One way to help hedge your bond portfolio against inflation is by investing in Treasury Inflation-Protected Securities (TIPS).

How TIPS Fight Inflation

The principal value of TIPS is automatically adjusted twice a year to match any increases or decreases in the Consumer Price Index. If the CPI-U moves up or down, the Treasury recalculates your principal to reflect the change. A fixed rate of interest is paid twice a year based on the current principal, so the amount of interest may also fluctuate. Thus, you are trading the certainty of knowing exactly how much interest you'll receive for the assurance that your investment will maintain its purchasing power over time.

Like all Treasury securities, TIPS are guaranteed by the federal government as to the timely payment of principal and interest. If you hold TIPS to maturity, you will receive the greater of the inflation-adjusted principal or the amount of your original investment.

Pricing-In Protection

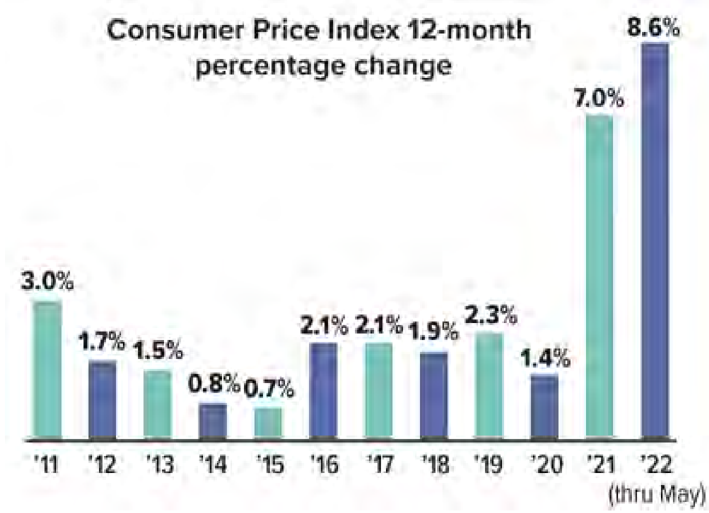
TIPS pay lower interest rates than equivalent Treasury securities that don't adjust for inflation. The *breakeven inflation rate* is the difference between the yield of TIPS and nominal (non-inflation-protected) Treasury securities with similar maturities. It is the premium the investor pays for inflation protection, as well as a market-based measure of expected inflation.

If inflation runs higher than expected, TIPS will earn a better return than nominal Treasury securities. If inflation runs below the breakeven rate, then TIPS have no clear advantage. However, the increased principal due to any level of inflation can still add to the value of your portfolio.

In some situations, TIPS can have negative interest rates that might produce a positive return after the principal is increased for inflation. For example, if a five-year TIPS offers a return of –0.5% while a five-year Treasury note offers a return of 2.5%, the 3% difference between these rates is the breakeven inflation rate. If inflation were to run at 4% over the five-year period, the TIPS would return 3.5% (4% – 0.5%) after adjustments for inflation, 1% higher than the return on the Treasury note.[2]

Eroding Purchasing Power

After an extended period of low inflation, consumer prices spiked in 2021 and 2022 due to supply and demand imbalances as the U.S. economy reopened.



Source: U.S. Bureau of Labor Statistics, 2022

TIPS are sold in $100 increments and are available in maturities of 5, 10, and 30 years. As with all bonds, the return and principal value of TIPS on the secondary market will vary with market conditions, are sensitive to movements in interest rates, and may be worth more or less than their original cost. When interest rates rise, the value of existing TIPS will typically fall on the secondary market. Changing rates and secondary-market values should not affect the principal of TIPS held to maturity.

You must pay federal income tax each year on the interest income from TIPS plus any increase in principal, even though you won't receive the principal and interest until the bonds mature. For this reason, investors might consider holding TIPS in a tax-deferred account such as an IRA.

1) U.S. Bureau of Labor Statistics, 2022

2) This hypothetical example of mathematical principles is used for illustrative purposes only. Rates of return will vary over time, particularly for long-term investments. Actual results will vary.

Six Steps to Starting a New Business

An extraordinary number of new business applications — nearly 5.4 million — were filed in 2021, far surpassing the previous record of 4.4 million set in 2020.[1] Although some of these start-ups will replace businesses that closed earlier in the pandemic, it appears that many Americans reassessed their careers and were inspired to launch brand-new ventures of their own. Some people took the leap into self-employment after losing their former jobs, while others gave up stable paychecks to take a chance on their dreams.

Do you have an idea for a product or service that could turn into a profitable business? Here's an overview of some important first steps in the entrepreneurial process.

Research the market. Find out all you can about your industry. Does your business proposition fill a gap or improve on competitors' existing offerings? Be sure to check for patents or trademarks on products that may already be in the works.

Focus on funding. It could be months or even years until a new company is profitable enough to provide a stable income. In the meantime, where will the capital come from to get off the ground and pay your own living expenses? Bootstrappers may depend on their own savings — recently bolstered by federal stimulus funds — and early company revenues alone. Others may try to raise seed money from outside investors, tap into their home equity, or take out business loans.

Make a test run. Running your idea by several potential customers, before you invest too much time or money, may help you refine your product marketing and sales strategy.

Select a structure. What kind of business structure are you going to establish? Some of the most common operating structures are sole proprietorship, partnership, corporation, S corporation, and limited liability company. Each type uses a different federal tax form, and the one you choose also determines which business taxes you will pay: income tax, self-employment tax, employment tax, and excise tax.

Consider tax and legal responsibilities. The IRS requires businesses to use a consistent accounting method for the reporting of income and expenses, so choose a method carefully when you file for the first time. Keep good records to help support figures listed on your tax return. If you plan to hire workers, you may need a federal Employer Identification Number for tax purposes.

Write a business plan. Creating a document that outlines details of your new business venture — including the business model, costs, and the other aspects listed earlier — may help you anticipate and prepare for some of the potential challenges.

1) U.S. Census Bureau, 2022