PARAGON CAPITAL MANAGEMENT, LLC

April 2022

Interest Rates Rising

The April newsletter is quickly becoming the most interesting newsletter each year to write. In April 2020 we had just begun a worldwide lockdown due to COVID and there were so many uncertainties. Many around the world were fearful of the economic impact of the pandemic, not to mention the toll on human lives. In that newsletter we wrote,

"Throughout history we have overused the statement, 'this time is different.' We have repeatedly reminded our clients that while it may seem different, it is not." We went on to say, "Today is no different, as we work from home, businesses closed, restaurants are shuttered or left to survive on carryout and delivery, unemployment soaring and the
death count rising, we look to history for guidance."

Last April, amongst other thoughts, we shared our views on the fixed income markets, interest rates rising and introduced the Callable Yields Notes as an alternative to traditional bonds. This April interest rates remain one of the two biggest topics in the markets, along with the horrific attack on Ukraine by Russia. The Equity and fixed income market performance during the first quarter of 2022 was the worst for any quarter since COVID began.

On February 24, 2022, Russian invaded Ukraine. We could write pages about the horrific things that have happened in Ukraine, but we will focus on the implications to investments. Since the war began, we have all been educated on the vast natural resources the Ukraine provides the rest of the world. Ukraine supplies the world with wheat and minerals such as coal, iron ore, oil, natural gas, manganese, titanium, uranium, and other resources. Wheat and corn prices increased over 19% in March. Increased commodity prices, coupled with existing supply chain issues, led to a 41 year high in the Consumer Price Index (CPI) of 8.5%, a common measure of inflation.

Inflation is a major news story that is a concern for our economy and the markets. We have seen yields on the 10-year Treasury and the 2-year Treasury invert, meaning the interest rate on the 2-year Treasury was higher than the 10-year Treasury rate. Historically, when the yield curve inverts there is a recession in the next 18-24 months. The Federal Reserve raised interest rates 25 basis points in March and Federal Reserve Chair Jerome Powell indicated an additional 6 rate increases this year. It is now widely expected that we will see a 50-basis point rate increase at the conclusion of the two-day Fed meeting on May 4th. Based on current forecasts from the Fed, there will be increases in the Fed Funds rate until the rate reaches 2.75%-3% range. Fed Chair Powell hopes the aggressive rate increase can lower inflation and avoid a recession.

There is no possible way to predict if we will go into recession or avoid it at this point. While the media focuses on the negative news, i.e., inflation, there is a lot of positives news as well. Unemployment is near an all-time low of 3.6% as the U.S. added 1.7 million jobs between January and March. The strong economy and the strong housing market are both positives. The housing market will be something we will watch closely the next few months as inventory is still extremely low, but mortgage rates are rising, and the average rate is now over 5%. Will higher rates scare off buyers or will the lack of inventory keep the market demand strong?

We anticipate the equity (stock) market will continue to be volatile as we watch how the Russia/Ukraine war progresses. Volatility in the market will also be impacted by perceived changes in the pace of increases in the Fed Funds rate, changes in inflation expectations, and changing views on the Federal Reserve's impact on the economy. As a reminder, while the market may try to price in the impact of a change in Federal Reserve policy immediately, the changes impact the economy on a lag.

We will continue to search the investment landscape for ways to add value to our client's portfolios such as the introduction of Callable Yield Notes (CYNs), private debt or real estate. Traditionally the main way to protect the value of a bond portfolio from rising rates is to reduce duration and increase the credit quality of the bonds held in the portfolio. In advance of the increase in rates, the addition of CYNs, private debt, or real estate to a portfolio served as an additional way to provide protection against rising rates. We continue to believe the addition of CYNs, private debt and private real estate to a portfolio makes sense.

Callable Yield Notes generate income like bonds, but are a hybrid tied to the performance of the stock market, therefore not directly impacted by interest rates. Please contact any Paragon wealth advisor for more information or questions.

Shareholder Class Action Lawsuits

Many of our clients that have been with us for a long time recently received notice of a shareholder lawsuit against Teva Pharmaceuticals. We realize that paperwork to file a claim can be daunting and the results sometimes not worth the time. We have recently partnered with Chicago Clearing Corp to file these claims on your behalf. They monitor all claims and cross reference those with our client's accounts and will automatically file the claims on your behalf. Please let us know if you have any questions or concerns on this process.

Schedule a Meeting with Paragon!

We are receiving great feedback on the use of Calendly to book appointments for quarterly reviews. Kelly has been reaching out to schedule meetings with your wealth manager and will continue to proactively reach out throughout the year. Calendly provides updated access to your wealth manager's calendar and to a meeting time that is convenient for you! These meetings can be in person (in K.C.), video or phone.

Paragon's Security Policy

We take your security very seriously. Our security protocols require verbal confirmation of all money movements. If you email or message us to move money from your account to your bank, we will be calling to verify. We understand this creates an additional step in the process and may be viewed as an inconvenience, but it is for your security!

How to stay informed

For up-to-date news and thoughts from Paragon, plus interesting articles on topics like saving and investing for children, taking care of elderly parents and their finances and other timely topics, we encourage you to follow us on LinkedIn and/or Facebook. We have company pages for both and appreciate your liking and/or following us.

- Paragon LinkedIn: https://www.linkedin.com/company/paragon-capitalmanagement-llc/?viewAsMember=true
- Paragon Facebook https://www.facebook.com/Paragon-CapitalManagement-llc-352968418169300
- Craig Novorr LinkedIn https://www.linkedin.com/in/craig-novorr-1a8a822/www.paragoncap.com

Also, please share your experiences with friends and family; we love the opportunity to help those you know with their financial success.

Even though Paragon's offices remain temporarily closed due to COVID-19, we are all working from home and staying in contact with each other daily. We are available to meet with clients at our office by appointment only and are also available to schedule account reviews via video or phone conference.

Paragon Capital Management, LLC
9200 Indian Creek Parkway, STE 600
Overland Park, Kansas 66210
Phone: 913-451-2254
Toll Free: 1-800-508-4605

Wealth Management with a Unique Focus {you}!