Week in Review

Equity Markets:

The S&P 500 ended the volatile month of January down 5.3%. Growth sectors were the hardest hit as investors digest the higher rate environment and the impacts it may have on these recently extended sectors. Consumer discretionary was the worst of S&P 500 sectors, down 9.7%. The NASDAQ ended January down 9%.

We are halfway through earnings season and as of Friday, 56% of S&P companies have reported. 77% of companies have beat earnings expectations, while 68% have beat revenue expectations. If the trend continues, earnings are set to grow 29% from last year, according to FactSet. Earnings have been mostly positive, with a few large outliers. Meta, formerly Facebook, announced earnings last week and severely missed expectations. Supply chain disruptions were a topic of concern, stating they believe this had an impact on ad revenue for the quarter. Meta also noted the impacts of Apple's new privacy policy as a headwind going forward. Ford also missed expectations, mainly due to supply chain disruptions.

For the first time in over 7 years, oil breached $90/barrel. Oil rallied 23% in January, following a gain of over 50% in 2021.

Fixed Income Markets:

The 10-yr treasury ended the week at 1.92%. This is the highest level since December of 2019. Over the past two weeks, the fixed income markets have been choppy. The Fed's stated plan has pushed shorter term interest rates higher, as the long end of the yield curve is struggling to break out. Investors' concerns around the economic expansion are putting downward pressure on long-term rates. If these concerns continue, we could see the yield curve continue to flatten.

Economic:

The Friday jobs report blew away expectations. Non-farm payrolls increased 467,000 in January, well above the expected 125,000. The largest contributor was the leisure and hospitality sector, as it appears Omicron did not have as big of an impact as expected. Unemployment surprisingly rose to 4%, but this is in large part due to the increase in labor force participation. This is a good sign. The labor market is currently tight, and as more people jump back into the work force, this can relieve some of the labor market pressures.

Looking Ahead

Equity Markets:

The primary focus for the markets will be earnings. If companies can continue the strong trend, there is plenty of room for markets to move higher after valuations were lowered during the January market pullback. Volatility will likely continue until the Fed begins to take action. Historically, volatility in the equity markets has continued to stay heightened until the 1st rate hike has taken place.

Company guidance will also be key to the equity markets, not just backward-looking earnings. The market is a discounting mechanism, and the companies that were hardest hit this earnings season have been those with worrisome guidance. Key points we will be watching for are companies' expectations on supply chain improvements, labor costs, and inflationary concerns.

Fixed Income Markets:

The surprising January jobs report, and large upward revisions from late 2021, appear to have solidified the March rate hike. It appears now the question is how much the Fed may hike rates. Prior consensus was for a standard 25-basis point hike, but on the heels of the strong economic numbers, some analysts are now considering a 50-basis point hike could be in the cards. We expect to see rates continuing to be a major contributor to equity market volatility going forward, until the tightening path has been started and the path is more clearly defined.

Economic:

Thursday we will see the CPI reading for January. The expectation is for a 0.5% increase month over month, and a 7.3% year over year increase. The preliminary Consumer Sentiment Index for February will be released on Friday. Other releases include the NFIB Small Business Optimism Index, initial jobless claims, and the December Trade Balance.

See following page for important disclosures

Important Disclosures:

Investment Advisory Services offered through Krilogy®, an SEC Registered Investment Advisor. Please review all prospectuses and Krilogy's Form ADV 2A carefully prior to investing. This is neither an offer to sell nor a solicitation of an offer to buy the securities described herein. An offering is made only by a prospectus to individuals who meet minimum suitability requirements.

All expressions of opinion are subject to change. This information is distributed for educational purposes only, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, products, or services.

Diversification does not eliminate the risk of market loss. Investments involve risk and unless otherwise stated, are not guaranteed. Investors should understand the risks involved of owning investments, including interest rate risk, credit risk and market risk. Investment risks include loss of principal and fluctuating value. There is no guarantee an investing strategy will be successful. Past performance is not a guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.The S&P data is provided by Standard & Poor's Index Services Group.

Services and products offered through Krilogy® are not insured and may lose value. Be sure to first consult with a qualified financial advisor and/or tax professional before implementing any strategy discussed herein.