Week in Review

Equity Markets:

Volatility continued this week and the S&P 500 ended the week down 1.3%. The S&P is down just over 9% for the year, and the market has struggled to push higher, despite positive factors. Earnings season is nearly over, and companies have reported a 31% growth in earnings from a year ago, according to FactSet. Positive news has been drowned out by the conflict in Ukraine. Uncertainty around Russian sanctions and the potential negative impacts on the global economy have caused a risk-off moment for investors. We are cognizant of the potential risks that lie ahead, but Russia has very little influence on our economy as a whole. In the short-run, certain areas of the markets will, and have been, impacted. This was evident in the oil markets last week. We saw the highest oil prices since 2008 and the national average for a gallon of gasoline exceeded $4, according to a report released by AAA.

Fixed Income Markets:

Investors flocked to safe haven assets as the conflict in Ukraine intensified. The 10-yr Treasury had a wild week with yields starting out at 1.92% and seeing an intraweek low of ~1.68%. All markets are battling two major catalysts: the Fed's upcoming tightening policy and the conflict overseas. The fixed income markets have been impacted heavily as they are preparing for the first rate hike on the short end of the yield curve. The long end of the yield curve has seen downward pressure from investors' risk-off shift. This has caused the yield curve to flatten as the 2's/10's spread (difference between the yield on the 10-yr Treasury and the 2-yr Treasury) stands at just under .25%.

Fed Chair Jerome Powell testified in front of Congress this week. Markets were eager to hear the Fed's opinion of any impacts the Russian sanctions may have on inflation and future policy. He made it clear that the plan is to raise rates next week.

Economic:

The job market meaningfully surpassed expectations. Nonfarm payrolls rose 678,000 in February and unemployment lowered to 3.8%. Concerns around a key input for inflation, average hourly earnings, did not increase as expected.

Looking Ahead

Equity Markets:

The underlying fundamentals of the market and economy remain strong. Volatility will likely remain high as long as the two major catalysts remain. The uncertainty in the markets does not lend itself to taking on more risk, but it does give investors an opportunity for rebalancing into assets that have relative underperformance and yet still have a promising forward outlook.

We believe a broadly diversified portfolio that matches your desired risk, in times like today, is most important. The fear in the market has most investors uneasy, but positive developments in Ukraine could lead to a quick reversal in the stock market. Investors must have confidence in their long-term investment plan to ensure they stay invested in times where fear and uncertainty are pulling the markets lower.

Fixed Income Markets:

The Fed will be in a quiet period before their meeting on March 16th. Inflation has taken a back seat to the war in Ukraine, and this will likely continue next week. If the conflict in Ukraine does not improve, we could see yields continue to move lower.

Economic:

The first look into the February CPI is the headline economic report for the week. Inflation is expected to stay elevated, and economists are anticipating a year-over-year increase of 7.9%. The March preliminary Michigan Consumer Sentiment Index will also garner attention. The NFIB Small Business Optimism Index and the Job Openings and Labor Turnover Survey will be released as well.

See following page for important disclosures

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