

Horizon Wealth Management

Weekly Market Commentary

February 21, 2022

The Markets

Investors' appetite for risk diminished as the Russian threat to Ukraine intensified.

Volatility was high last week as investors guessed and second-guessed how markets would react if Russia invaded Ukraine and sanctions were imposed on Russia. They also wondered what would happen if Russia pulled back. The questions are difficult to answer. Adam Samson, Valentina Romei and Matthew Rocco of *Financial Times* reported:

"Economists can at least attempt to predict the outcome of central bank decisions by building models based on data, commentary from officials and historical precedent. But the outcome of the stand-off between Russia and the west is a type of so-called tail risk that could have major implications for the global economy, yet cannot be easily or accurately modelled. The sense of uncertainty has begun creeping into financial markets."

Heightened geopolitical tension wasn't the only concern for investors. They also contemplated whether the Federal Reserve (Fed) can tame inflation without hurting economic growth. The Fed is expected to continue to tighten monetary policy by raising the Fed funds rate in March, and reducing its balance sheet throughout 2022, reported Davide Barbuscia of *Reuters*.

Uncertainty about how markets would react if Russia invaded Ukraine caused some investors to favor safe-haven investments. As a result, last week:

- **Treasury rates moved lower.** Normally, a pending Fed rate increase would push interest rates higher. Last week, however, the yield on benchmark 10-year Treasury notes dropped below 2 percent as investors sought safe havens.
- **Gold prices moved higher.** "After surging in 2020, [the price of gold] has essentially traded sideways for the past 18 months... Now it's on the move... Gold is often thought of as protection against inflation, but it's really protection against chaos—and the situation in Ukraine certainly counts as chaos. That has helped push the price of gold up 5.8% in February," reported Ben Levisohn of *Barron's*.

Major U.S. stock indices moved lower last week and came close to correction territory, reported *Barron's*. Corrections occur when assets, indexes, or markets decline by 10 to 20 percent. When the market corrects it is not a pleasant experience, but corrections are not unusual. It's likely markets will remain bumpy in the coming weeks.

Data as of 2/18/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-1.6%	-8.8%	11.1%	16.1%	13.0%	12.3%
Dow Jones Global ex-U.S. Index	-1.6	-3.4	-3.5	6.9	5.4	3.5

10-year Treasury Note (yield only)	1.9	N/A	1.3	2.7	2.4	2.1
Gold (per ounce)	3.4	4.0	6.8	12.6	8.8	0.9
Bloomberg Commodity Index	1.6	12.6	31.0	11.2	4.9	-2.7

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

THE GREAT COLLEGE DEBATES. During the past two decades, pundits across the United States have launched all kinds of debates about college and its importance. They have asked:

- **Is college a good investment?** In 2011, as the economy and Americans slowly recovered from the Great Recession, the idea that “college, the perennial hope for the next generation, may not be worth the price of the sheepskin on which it prints its degrees,” gained popularity, reported Daniel Smith of *New York Magazine*.
- **Which college majors are worth the cost?** As everyone weighed the value of knowledge against the cost of attaining it, news media began reporting on the highest paying college majors. In general, science, technology, engineering and math majors tend to receive the highest incomes after graduation, according to Payscale’s 2021 College Salary Report.
- **Should employers remove college degree requirements from job listings?** Today, some are looking at the college picture from a different perspective. “According to data from the U.S. Census Bureau, between 2010 and 2019, 36% of Americans ages 25 and older had a bachelor’s degree or higher. Yet 65% of job listings still require postsecondary education and 61% of HR and business leaders say they throw out resumes without college degrees even if the candidate is qualified,” reported Hunter Johnson in *Forbes*.

There is evidence that college degrees improve economic outcomes, overall. As with almost anything, though, there are exceptions. In 2021, the Georgetown University Center on Education and the Workforce reported:

“The lifetime earnings of a full-time full-year worker with a high school diploma are \$1.6 million, while workers with associates degree earn \$2 million. However, at least one quarter of high school graduates earn more than associates degree holders. Bachelor’s degree holders earn a median of \$2.8 million during their career, 75% more than if they had only a high school diploma. Master’s degree holders earn a median of \$3.2 million over their lifetimes, while doctoral degree holders earn \$4 million and professional degree holders earn \$4.7 million. However, one quarter of workers with a bachelor’s degree earn more than half of workers with a master’s or a doctoral degree.”

The debate about college costs and payoffs continues. However, some companies are deciding that talent and a strong work ethic are just as important as a college degree, and have begun removing degree requirements for job applicants, reported Glassdoor.

Weekly Focus – Think About It

“No thief, however skillful, can rob one of knowledge, and that is why knowledge is the best and safest treasure to acquire.”

—L. Frank Baum, *Author*

Best regards,

Chris Dumford, CFP®, AIF®
Larry Makatura, CFP®, AIF®

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

Securities offered through **LPL Financial**, Member FINRA/SIPC.

- * These views are those of Carson Coaching, not the presenting Representative, the Representative's Broker/Dealer, or Registered Investment Advisor, and should not be construed as investment advice.
- * This newsletter was prepared by Carson Coaching. Carson Coaching is not affiliated with the named firm or broker/dealer.
- * Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- * Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- * All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- * The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
- * Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
- * Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
- * Past performance does not guarantee future results. Investing involves risk, including loss of principal.
- * The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
- * There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
- * Asset allocation does not ensure a profit or protect against a loss.
- * Consult your financial professional before making any investment decision.
- * To unsubscribe from the [Horizon Wealth management Weekly Market Commentary](#) please reply to this email with "Unsubscribe" in the subject line or write us at [Horizon Wealth Management, 2801 Townsgate Road, Suite 106, Westlake Village, CA 91361](#)

Sources:

https://www.barrons.com/articles/stocks-war-ukraine-russia-51645234452?mod=hp_LEAD_2 (or go to https://resources.carsongroup.com/hubfs/WMC-Source/2022/02-21-22_Barrons_What%20Will%20Stocks%20Do%20if%20War%20or%20Peace%20Erupts%20in%20Ukraine_1.pdf)
<https://www.ft.com/content/6f198784-c938-4674-af6f-d760b18fcb2d> (or go to https://resources.carsongroup.com/hubfs/WMC-Source/2022/02-21-22_Financial%20Times_How%20Will%20Geopolitical%20Tensions%20Affect%20Markets_2.pdf)
<https://www.reuters.com/business/finance/investors-worry-about-hawkish-fed-hurting-growth-even-theorize-over-next-2022-01-26/>
https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field=tdr_date_value=2022
https://www.barrons.com/articles/the-gold-rush-is-on-its-not-too-late-to-get-in-51645232932?mod=hp_LEAD_1 (or go to https://resources.carsongroup.com/hubfs/WMC-Source/2022/02-21-22_Barrons_The%20Gold%20Rush%20is%20On_5.pdf)
<https://www.barrons.com/articles/stock-markets-next-move-is-lower-its-not-just-russia-and-the-fed-51645232031?refsec=the-trader> (or go to <https://www.barrons.com/articles/stock-markets-next-move-is-lower-its-not-just-russia-and-the-fed-51645232031?refsec=the-trader>)
<https://www.investopedia.com/terms/c/correction.asp>
<https://nymag.com/news/features/college-education-2011-5/> (or go to https://resources.carsongroup.com/hubfs/WMC-Source/2022/02-21-22_New%20York%20Magazine_The%20University%20Has%20No%20Clothes_8.pdf)
<https://www.payscale.com/college-salary-report/majors-that-pay-you-back>
<https://www.forbes.com/sites/forbesagencycouncil/2021/09/30/why-companies-should-remove-college-degree-requirements-from-job-listings/?sh=523723c15ee9>
<https://cew.georgetown.edu/cew-reports/collegepayoff2021/>
<https://www.glassdoor.com/blog/no-degree-required/>
<https://libquotes.com/l-frank-baum/quote/lbf7u6w>