



INCISIVE INVESTOR

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WEEK IN REVIEW

STOCKS END LOWER ON RUSSIA-UKRAINE TENSIONS



U.S. stocks closed lower on Friday, with all three major benchmarks booking the second week of losses, as investors monitored developments between Russia and Ukraine amid fears of a war breaking out.

U.S. markets will be closed on Monday in observance of Presidents Day.

The Dow Jones Industrial Average DJIA dropped 232.85 points, or 0.7%, to close at 34,079.18. S&P 500 index SPX fell 31.39 points, or 0.7%, to end at 4,348.87, with information technology SP500EW.45 the worst performer among the index's 11 sectors. The Nasdaq Composite Index COMP declined 168.65 points, or 1.2%, to finish at 13,548.07. A so-called death cross crystallized in the index, a bearish chart pattern.

For the week, the Dow dropped 1.9%, the S&P 500 fell 1.6% and the Nasdaq declined 1.8%.

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MACRO NEWS

Russia-Ukraine tensions persist



Russia is accused by NATO of amassing more troops along the Ukrainian border on Wednesday, a day after Moscow said it would begin withdrawing some troops. Reuters reports that the Kremlin has always maintained that Russian troops will return to their bases after participating in military exercises. These drills are widely seen as a sign of Russia's strength, as it has relocated over 100,000 soldiers along with tanks, missiles, and even blood supplies to its border with Ukraine. The Russian government has demanded Ukraine never become a NATO member, and it wants NATO to withdraw from Eastern Europe. While addressing the United Nations Security Council on Thursday, US Secretary of State Antony Blinken called for a diplomatic solution to the crisis. Next week, Blinken will meet with Russian Foreign Minister Sergey Lavrov, who is guardedly optimistic that they can resolve the standoff.

Concerns about Fed rate hikes

US Federal Reserve's recent board minutes

show that rate hikes are likely to come soon and that it could be aggressive in unwinding its \$9 trillion balance sheet, which is largely made up of bonds. On a separate note, St. Louis Federal Reserve President James Bullard reiterated that he believes the Fed should increase its benchmark short-term borrowing rate a full percentage point by July, citing accelerating inflation. He warned that inflation could turn out to be a serious problem if central banks do not take action on interest rates. Meanwhile, San Francisco Fed President Mary Daly told reporters on Sunday that the Fed should take a measured approach when it raises interest rates.

Inflation pressure in the US lingersThe US Department of Labor reported Tuesday that wholesale prices spiked twice the expected level in January, as inflation pressure increased unabated to the start of the year. The Producer Price Index (PPI), which measures final-demand goods and services, rose 1%, above Dow Jones's estimate of 0.5%. Unadjusted, the gauge has risen 9.7% since January 2010, very close to a record high. In the core PPI, which excludes food, energy, and trade services, prices increased 0.9% for the month, exceeding forecasts of 0.4%. The measure increased 6.9% for the 12-month period. This comes despite escalating inflation across the economy, with consumer prices at a 40-year high.



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HEADLINERS

The University of Michigan reports that US consumer sentiment dropped to its lowest level in more than a decade in early February, with the decline solely affecting households who earn \$100,000 or more, which could be related to stock market declines.

In February, builder confidence in the single-family housing market in the United States fell one point to 82 on the National Association of Home Builders/Wells Fargo Housing Market Index, with anything over 50 considered positive. In February 2021, the index was at 84, which was the second consecutive decline.

As reported by the US Department of Commerce, retail sales rose 3.8% in January, above the 2.1% Dow Jones estimate. In retail sales excluding autos, the gain was 3.3%, following a loss of 2.8% the previous month.

BlockFi, the crypto lending service, said Monday that it was paying \$100 million to the US Securities and Exchange Commission and several states to settle charges related to its popular product. The company offers a popular savings product that allows customers to accrue interest on their digital currency holdings.

The US-based Semiconductor Industry Association said that global semiconductor sales reached \$555.9 billion in 2021, a 26.2% increase from the previous year as

companies ramped up production to meet demand during a worldwide chip shortage.

In a recent survey by Natixis Investment Managers, 68 percent of fund selectors said individual investors should not own cryptocurrency. This is largely due to concerns about transparency and regulation. A fund selector is a person at brokerage companies, financial advisory shops, private banks, and other institutions who analyzes and selects the investments their firms provide clients.

Over the past year, the average rate for 30-year fixed-rate mortgages with conforming loan balances (less than \$647,200) increased from 3.83% to 4.05%, and the average purchase loan size surged to a record \$453,000. Mortgage Bankers Association's seasonally adjusted index show that refinance applications has dropped by nearly half from a year ago.

It has been announced that the US Department of Education will cancel the student loans of nearly 16,000 students who attended certain for-profit schools, such as DeVry University. There will be a total of \$415 million in relief.





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EARNINGS NEWS

In Q4 2021, 84% of the constituents of the S&P 500 Index have reported. Blended earnings per share (which combines reported data with estimates for those who have yet to report) show 31% earnings growth and 15.5% sales growth, respectively, compared with the same quarter a year ago, according to FactSet Research.

MAJOR STOCK MOVES

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FINANCIAL AID FOR STUDENTS 101

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