

## MARKET WATCH UPDATE



## WEEKLY & YTD RETURNS

US Equity Indexes - Returns (Thru 4/22/22) and Index Differences

Market Index	Close	Week	Y-T-D
DJIA	33,811.40	-1.86%	-6.95%
NASDAQ	12,839.29	-3.83%	-17.93%
MSCI-EAFE	2,126.64	+0.50%	-8.97%
S&P 500	4,271.78	-2.75%	-10.37%

### TODAY'S TOPICS

- China Lockdowns Cause Renewed Supply Chain Fears
- Market Support
- What we are Watching

### OVERVIEW

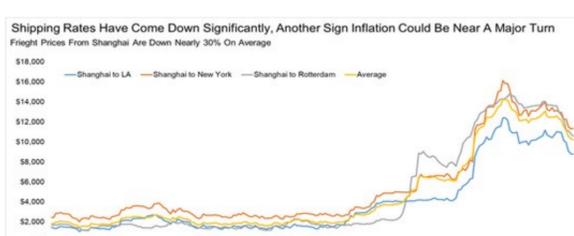
Global equity markets are again under pressure over the past week as the S&P 500 looks to retest the February and March lows (see "Market Support Levels" below). The most recent sell-off can again be attributed to hawkish rate comments from Fed Chairman Jerome Powell on Friday along with renewed supply chain fears due to increasing COVID lockdowns in China.

The **Dow Jones fell -900 points last Friday** after midday comments from Jerome Powell who added his support for moving faster on interest rate hikes. A 50-basis point or half-percent hike at the Fed's May meeting has been priced into the markets for weeks now, but Powell's comments on Friday now bumped up the June meeting odds to a 75-basis point hike. These aggressive, front loaded hikes are necessary to control inflation according to the Fed but market participants are worried hiking too fast could lead to a recession.

In addition to Powell's comments on Friday, the market is also weary of renewed lockdowns in China potentially causing a new round of supply chain disruptions. Recall **these supply chain disruptions were the major source of inflation to begin with** and therefore the aggressive Federal Reserve.

#### Chart Below:

So far we haven't seen new lockdowns translate into supply chain disruptions. It's likely too early to tell but something we're watching closely.



The supply chain disruptions had seemingly been healing for months or longer now, but a recent spike in new cases in China along with its strict zero-Covid policy has caused aggressive lockdowns in Shanghai.

Over the weekend Beijing also began its own round of lockdowns, further increasing supply chain anxiety. It should be noted that 88% of the Chinese population has been vaccinated, a much higher than average rate across the globe. Interestingly though, only about 50% of those over the age of 80 have been vaccinated, a statistic the government points to in defending its lockdowns.

Despite Powell's comments on Friday and renewed Chinese lockdowns, **our base case** still doesn't call for an imminent recession. As mentioned previously, the odds of a recession have grown recently when we look further out in the coming years but again is not our base case. Slight tweaks in the timing of rate hikes doesn't drastically change what we've known all year regarding what the Fed is doing. In addition, **its way too early to tell how this round of China lockdowns will affect the supply chain.**

## MARKET SUPPORT LEVELS



As shown in the chart above, the S&P 500 could use some direction regarding its next move forward. Q1 earnings season picks up steam this week and could help provide the next boost higher for the stock market.

- Key levels of resistance to watch for the S&P 500 are at 4,592 followed by 4,621
- Key levels of support to watch for the S&P 500 are at 4,223 followed by 4,160.

Recall these are key technical levels we look for the market to either hold or push through when look at the potential for future moves. Common support levels can be the 50- and 200-day moving averages as well as other technical levels such as previous market highs or lows.

## WHAT WE ARE WATCHING

This week we enter the heart of first quarter earnings season with nearly 180 companies reporting results.

The following economic data is slated to be released during the week ahead:

- **Tuesday:** Building permits, durable orders, new home sales (Mar), FHFA Home Price Index, S&P/Case-Schiller Home Price Index (Feb), consumer confidence (Apr)
- **Wednesday:** Wholesale inventories and pending home sales (Mar)
- **Thursday:** Weekly initial and continuing unemployment claims, Q1 GDP
- **Friday:** Personal consumption expenditure, personal income (Mar), University of Michigan sentiment (Apr)

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