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MARKET WATCH UPDATE

WEEKLY & YTD RETURNS

US Equity Indexes - Returns (Thru 3/18) and Index Differences

Market Index	Close	Week	Y-T-D
DJIA	34,754.21	+5.49%	-4.36%
NASDAQ	13,893.84	+8.18%	-11.19%
MSCI-EAFE	2,149.68	+5.17%	-7.98%
S&P 500	4,463.09	+6.16%	-6.36%

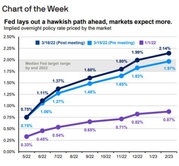
TODAY'S TOPICS

- Huge Improvement, Fed, and Oil
- Chart of the Week
- Market Resistance/Support Levels

OVERVIEW

The S&P 500 rose 6.2% last week (3/14 to 3/18), its best performance since November 2020, after the Federal Reserve raised interest rates for the first time since 2018.

- The index is now up 5.6% since Russia invaded Ukraine and has trimmed its losses for the year to -6.4%.
- Last week's move can be attributed to a few dynamics. First crude oil dropped from its recent high of $130/barrel, all the way to $101/barrel which helped the inflation narrative, relatively speaking.
- Secondly, there was not any further escalation between Russia and Ukraine with reports even indicating Russia was floundering its military advance.
- Lastly, markets advanced further midweek after Fed Chairman Powell made a point of repeatedly affirming the pace of economic growth. The Fed chief reported little evidence of a downturn *anytime* soon, saying probability of a recession in the next year is *"not particularly elevated."*
- The Fed's quarter-point hike raises its federal funds target range to 0.25%-0.50%. As an overnight lending rate for banks, the federal funds rate influences consumer and business borrowing costs including rates on mortgages, credit cards, savings accounts, loans, and corporate debt. **When the Fed raises rates, they use it as a tool to tame hot consumer prices by making borrowing more expensive and saving more appealing.**



MARKET RESISTANCE LEVEL

As shown in the chart below, the next area of resistance on the upside for the S&P 500 is around 4,595 (red line.) Support on the other hand is the 4,114-4,270 level (green line.)

Recall these are key technical levels we look for the market to either hold on to or fall below. Resistance and support levels can be the 50- and 200-day moving averages as well as other technical levels such as previous market highs or lows.

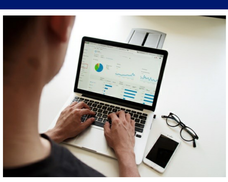
U.S. EQUITY INDEXES

- The Dow and S&P 500 are now down only -4% and -6% respectively year-to-date through 3/18/22. The technology and growth heavy Nasdaq index are down -11% YTD given the weakness we've seen in these areas so far this year. The main developed international equity index, or MSCI EAFE, is down about -8%.

- While the Dow Jones index will always garner the most headline attention from investors and media outlets due to its symbolic history, it's not exactly the best index to keep an eye on from a portfolio comparison standpoint. The Dow is stock price weighted meaning a member stock like United Health Group at $526/share will have 10-times the influence in Dow points compared to say, Verizon at $50/share.

- The S&P has 505 index members and is arguably a better representation of the U.S. economy. In addition, both the S&P 500 and Nasdaq and use a market cap weighting methodology which attempts to improve on the Dow's weighting methodology where individual components of these indexes are included in amounts that correspond to their total market capitalization.

LONG TERM MINDSET



It is easy to let the current state of the market influence your investment strategy. In a ***bull market***, you may want to load up on stocks. In a ***bear market***, you may be tempted to sell every stock you own. But those types of reactions may not serve your long-term goal of accumulating enough assets to educate your children or finance a retirement that could last two decades or more.

Choosing to stay invested and not react to market conditions is a proactive decision. The intentional choice of 'no action' is very different from inaction or complacency. Decisions do not always have an actionable component. Food for thought: What if an investor panicked and sold during the Covid volatility in the spring of 2020? Remember that volatility and corrections are necessary for new growth to regenerate. Let's be patient and remember our long term objectives.

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