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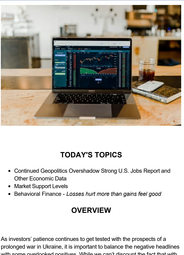
MARKET WATCH UPDATE



TODAY'S TOPICS

- Continued Geopolitics Overshadow Strong U.S. Jobs Report and Other Economic Data
- Market Support Levels
- Behavioral Finance - *Losses hurt more than gains feel good*

OVERVIEW

As investors' patience continues to get tested with the prospects of a prolonged war in Ukraine, it is important to balance the negative headlines with some overlooked positives. While we can't discount the fact that with food and energy prices rising there is certainly a risk that the composition of consumer spending will begin to shift, but we must weigh those against the positives too.

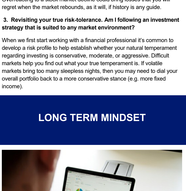
On Friday of last week, the nonfarm payroll report showed job growth accelerated even further in February, posting the biggest monthly gain since July as the employment picture got closer to its pre-pandemic self. Further, wage gains were flat in the report, thereby helping offset some of the broader economic inflation increases for the month. An eye-popping 678,000 jobs were added during the month while the U.S. unemployment rate fell to 3.8% from its previous reading of 4.0%. In addition, February ISM PMIs showed growth in the manufacturing and services sectors amid strong demand as Omicron faded.

Energy and food do not have the same capacity to shock as they once did in the 1960s and 1970s.
% of total American consumer spending spent on food and energy

While we might see price pressure on energy and food in the near term, they do not have the same capacity to shock as they once did. As illustrated in the chart above from JPMorgan, energy and food spending now represents much less of American consumer market share – 12% of total spending vs. an average of 23% throughout the 60s/70s. Furthermore, America has a greater degree of energy independence and the luxury of natural resources that Europe does not, which should also soften the blow.

Why has this occurred? Part of the reason is shown in the 2nd and 3rd charts below. U.S. household's debt payments as a percent of disposable income is much healthier today than previously and household net worth has also steadily improved over the last 30 years.

MARKET SUPPORT LEVELS

As shown in the chart below, areas of support to watch for the market are at 4,223 followed by 4,115.

These are key technical levels we look for the market to either hold on to or fall below. We similarly watch "resistance levels" when the market is rising. 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.