GBA Financial
financial planning for retirement

Newsletter

February 2022

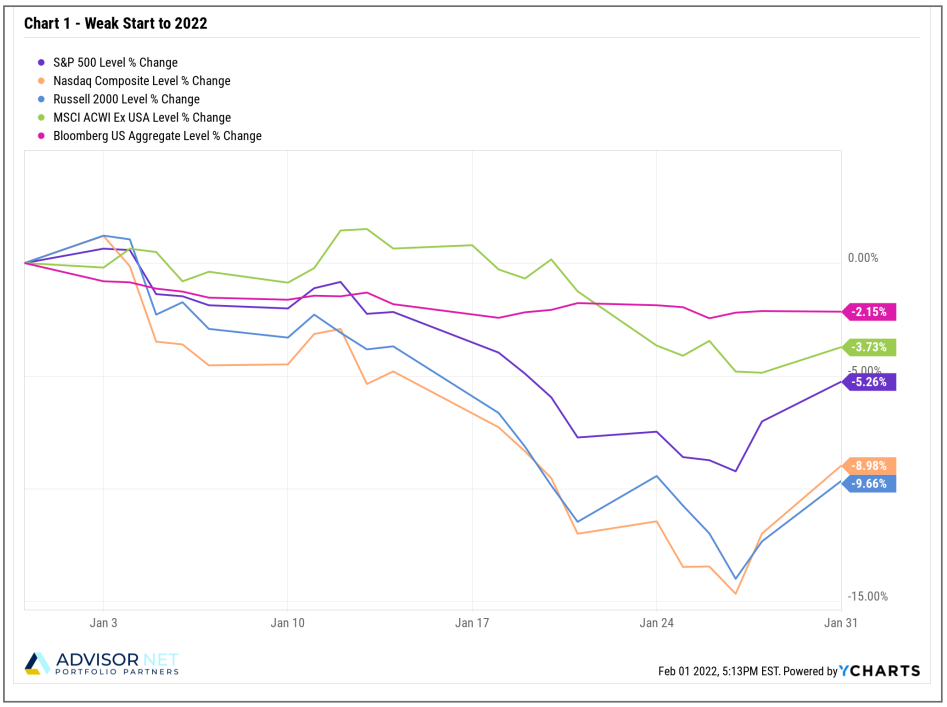
Bears Rear Up to Start the New Year

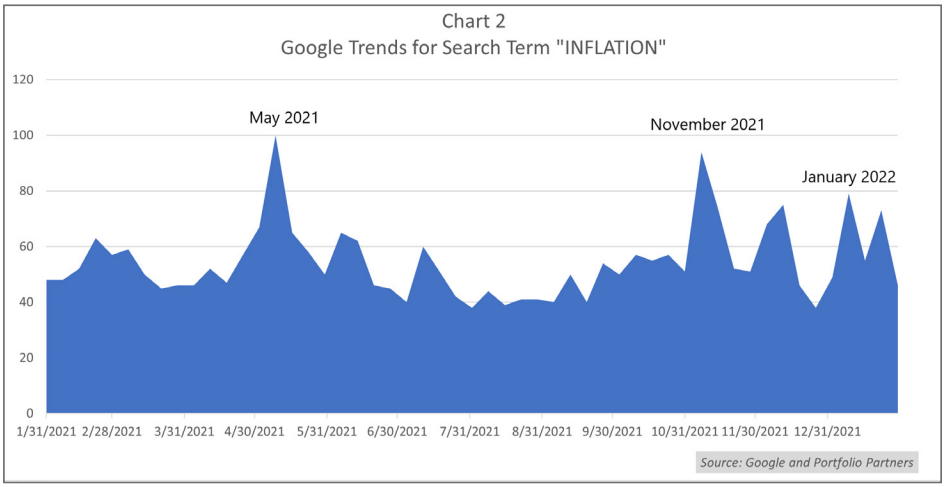
After experiencing exceptional returns in 2019, 2020 and 2021, the US stock market started off 2022 with a disappointing thud. Despite a strong rebound the last two days of the month, the S&P 500 was down -5.26%, the NASDAQ Composite was down -8.98%, the Russell 2000 was down -9.66% and the MSCI ACWI Ex-USA was down a more modest -3.73% during the period. The yield on the 10-year US Treasury jumped as high as 1.87% in January after closing 2021 at 1.49%. This action led to price declines for bonds with the Bloomberg US Aggregate index down -2.15% for the month. Yuck. 😟 (CHART 1)

Inflation Consternation

We think a driving force behind the disappointing performance to start 2022 is concern about inflation and its impact on interest rates. We analyzed Google trends and found that the term "inflation" spiked in popularity during the month as it seemed the market was anticipating a more hawkish (less accommodative) Federal Reserve meeting in late January. (CHART 2)

We have witnessed similar spikes during 2021 that led to sharp increases in interest rates, which ultimately settled within the lower bounds of an intermediate-term range. As we have stated in the past, we are closely watching the 10-Year US Treasury yield for clues regarding future inflation expectations. We believe that rates continue to be contained under a long-term trendline but expect increases in rates should be expected over an intermediate time frame. (CHART 3)





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Market Guide

The good news is that you are not alone. We can be your guide and walk with you through the market volatility to help you prusue your financial goals. The market is grappling with changing monetary policy from the Federal Reserve and the potential implications for interest rates, employment, corporate earnings and economic growth. We are working to position our model portfolios to help withstand this transition potentially in order to protect and grow your capital over the entire market cycle.

Chart 3

1/31/2022		
S&P 500	4,515.55	
DJIA	35,131.86	
NASDAQ	14,239.88	
OIL	$ 88.15	/barrel
GOLD	$ 1,796.40	/ounce
10yr Yield	1.79%	
Unemployment	3.90%	
GDP	6.90%	
PPI	9.68%	Year-Over-Year
CPI	7.04%	Year-Over-Year

(Source: www.ycharts.com)

1/31/2022				
Index	**3mo**	**1yr**	**3yr**	**5yr**
S&P 500	-1.61%	23.29%	20.71%	16.78%
MSCI EAFE	-4.58%	7.52%	9.85%	8.36%
Bar AGG Bond	-2.12%	-2.97%	3.67%	3.08%

(Source: www.ycharts.com)

Thank you for your trust and support. Stay focused on your long-term objectives.

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The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "growth" based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "value" based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.

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The S&P 500® Consumer Discretionary comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.

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The S&P 500® Communication Services comprises those companies included in the S&P 500 that are classified as members of the GICS® communication services sector.

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The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks and is also used to refer to the Nasdaq Composite, an index of more than 3,000 stocks listed on the Nasdaq exchange. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index. The MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The Bloomberg Barclays US Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

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