

# Market Commentary

*For the week of March 28th, 2022*

## The Markets

Returns Through 3/25/22	WTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	0.31	-3.60	8.88	13.37	13.59
NASDAQ Composite (PR)	1.99	-9.28	9.90	23.91	20.57
S&P 500 (TR)	1.81	-4.35	17.85	19.54	16.24
Barclays US Agg Bond (TR)	-1.82	-6.89	-5.36	1.38	1.95
MSCI EAFE (TR)	0.19	-7.06	-7.79	0.26	1.47

## Observations

- U.S. equities moved higher this week as indicated by the S&P 500 which was up +1.81% on the week.
- In the U.S., smaller sized companies underperformed their larger-sized counterparts, as the Russell 2000 index decreased by -0.38% on the week.
- International stocks as measured by the MSCI EAFE were positive on the week, up +0.19%, underperforming domestic stocks.
- Emerging market stocks were up on the week with the MSCI EM increasing +0.22%.
- U.S. investment grade bonds were negative last week with the Bloomberg Barclays U.S. Aggregate Bond index down -1.82%.

Data Obtained from Bloomberg as of 3/25/2022



## Economic Review

- Initial jobless claims released on Thursday and market watchers saw a decrease to 187,000, well below expectations of 212,000 as hiring continued to ramp up.
  - Continuing claims also dropped to 1.35 million, substantially lower the previous month's reading of 1.42 million.
- University of Michigan Consumer Sentiment Index (final) was revised slightly lower to 59.4 in March from a preliminary 59.7, marking the lowest reading in the measure since August of 2011.
  - Higher inflation, which respondents expect at a rate of 5.4% in the year ahead, was cited as a major reason for reduced standards of living more frequently than any other time except the two worst recessions in the past fifty years: March 1979 to April 1981 & May to October 2008.
  - 5-year inflation expectations accompany the consumer sentiment report and have remained anchored at 3.0%; these will be important to watch throughout the year as expectations of entrenched inflation could lead to recession.

### How does this impact you?

- Impact of Jobless Claims and Consumer Sentiment:
  - The labor market continued to demonstrate strength as the number of Americans filing new claims for unemployment benefits fell by 28,000 in the week ended March 19th, notching the lowest level for initial claims since September 6th, 1969.
  - Consumer confidence, on the other hand, moved lower largely due to widespread inflation now affecting nearly every sector of the economy, particularly energy, where as a result, consumers now pay \$4.25 on average for a gallon of regular unleaded, marginally below the highest-ever average of \$4.33 recorded March 11th.

## A Look Forward

- Change in Non-farm payrolls for the month of March will be released on Friday, the survey among economists calls for an addition of 475,000 payrolls compared to the previous month's addition of 678,000.

### How does this impact you?:

- Impact of Non-farm Payrolls
  - The labor market is extremely tight, and current job openings still vastly exceed those in search of work, however, the labor market looks to continue to build off a strong start to the year.
  - The Fed has already increased interest rates but more rate hikes loom. Chairman Powell hinted at the possibility of a 0.50% hike sooner rather than later. With inflation looking to still surge as the conflict in Ukraine put pressures on energy prices, another strong hiring number may add more ammunition for a larger than normal rate hike.
  - The unemployment rate is expected to tick down to 3.7%, such a mark would stamp a new low since the COVID pandemic.



## BY THE NUMBERS

**YEAR-TO-DATE RESULTS** - With just 4 trading days remaining in the 1st quarter 2022, the S&P 500 stock index is down 4.3% YTD (total return) through the close of trading as of last Friday 3/25/2022. The index, created in 1957, achieved 1 record closing high this year, reached on the 1st trading day of the year (1/03/2022). The S&P 500 consists of stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value (source: BTN Research).

**STOCKS** - The US stock market, including 4,266 public-traded companies on the NYSE, AMEX and NASDAQ exchanges, was worth \$53.4 trillion as of 12/31/2021 (source: Sibilis Research).

**BONDS** - The US bond market (including treasury, municipal, corporate, mortgage and asset-backed debt) was worth \$52.9 trillion as of 12/31/2021. Treasury debt (\$22.6 trillion) makes up the largest piece of the US bond market (source: Securities Industry and Financial Markets Association).

**EATING AT HOME** - US grocery prices, i.e., "food at home," increased by +8.6% over the year ending 2/28/2022. That compares to a +3.5% price increase for groceries for the year ending 2/28/2021 and a +0.8% price increase for the year ending 2/29/2020 (source: Bureau of Labor Statistics).

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