



# Weekly Commentary

In observance of the holiday, our office and the markets will be closed on Friday, April 15

April 11, 2022

## THE MARKETS

The first quarter of 2022 was jam-packed with volatility-inducing events: rising inflation, war in Ukraine, rising interest rates, sanctions on Russia, and a new COVID-19 outbreak in China. Here's a brief review of what happened during:

**Inflation continued to rise.** At the start of the year, consumers and investors were primarily concerned about inflation. In February, the Personal Consumption Expenditures Price Index showed core inflation, which excludes volatile food and energy prices, was up 5.4 percent year-over-year. That's well above the Federal Reserve (Fed)'s two percent target for inflation.

The Fed began to tighten monetary policy late in 2021 by curtailing its bond-buying program. Investors expected the Fed to continue fighting inflation in 2022 by raising the federal funds target rate. Raising rates makes borrowing more expensive, which causes consumer and business spending to slow, demand for goods and services to drop, and prices to move lower, reported Carmen Reinicke of CNBC.

**Russia invaded Ukraine and sanctions followed.** In late February, Russia shocked the world by invading Ukraine. The war has devastated the people and the economy of Ukraine. The Kyiv School of Economics estimated that physical damage inflicted on Ukraine's roads, bridges, rails, ports, residences, factories, airports, hospitals, and schools from February 24 to April 1 exceeded \$68 billion, reported The Economist. As the human and economic costs of the war filtered through markets:

- Energy prices surged around the world: Oil prices finished the quarter

33 percent higher – after declining 20 percent from their highest price during the quarter. One result was that energy and utility sectors delivered strong returns relative to other market sectors during the quarter, reported Lauren Solberg of Morningstar.

Higher energy prices exacerbated global inflation. For example, rising fuel prices lifted other prices, too. The cost of diesel fuel, which is primarily used for trucking and shipping, rose 63 percent in the United States during the first quarter. Higher transportation and delivery costs were reflected in the cost of other goods, including food, reported Brian Swint of *Barron's*.

- Global food prices increased: Ukraine and Russia were key exporters of grains and cooking oils, as well as other products. Since February, when the war began, the price of wheat has increased by almost 20 percent, corn by 19 percent, barley by 27 percent, and vegetable oils by 23 percent, according to *The Economist*.

**Central banks continued to tighten monetary policy.** The war in Ukraine complicated the outlook for economic growth and inflation around the world. Despite uncertainty about growth, many central banks tightened monetary policy to bring inflation down.

In the U.S., the Fed raised the federal funds target rate by 0.25 percent in March. Fed officials expect to raise rates six more times in 2022 and begin reducing the Fed's balance sheet, a process known as quantitative tightening, at its May meeting.

Yields on U.S. Treasury notes and bonds

(Continued on back page.)

Data as of 4/8/22	1 WEEK	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Standard & Poor's 500 Index	-1.3%	-5.8%	9.6%	15.7%	13.8%	12.5%
Dow Jones Global ex-U.S. Index	-1.5	-8.0	-7.8	4.0	4.1	3.4
10-year Treasury Note (yield only)	2.7	N/A	1.6	2.5	2.4	2.0
Gold (per ounce)	0.6	6.7	10.6	14.3	9.2	1.7
Bloomberg Commodity Index	2.0	27.5	49.7	15.2	8.0	-1.1

Notes: S&P 500, DJ Global ex US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

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shifted higher during the quarter and into April. The yield on the 2-year Treasury note rose from 0.78 percent at the start of the year to 2.53 percent at the end of last week, while the benchmark 10-year Treasury yield rose from 1.63 percent to 2.72 percent. When bond yields rise, bond prices fall. In the first quarter, Morningstar indices for U.S. Treasuries, corporate, high-yield, and mortgage bonds all moved lower.

**A new COVID-19 outbreak in China led to a lockdown in Shanghai.** On March 28, Shanghai, China, a city of 25 million people, was locked down amid a new COVID-19 outbreak. A source cited by Reshma Kapadia of Barron's stated:

"...concern is growing about the scars it may leave on Chinese consumers—a crucial growth engine for the struggling economy but also for a host of global companies...Consumers will be more cautious this time around. Their pandemic savings are depleting, wealth has been destroyed in equities and property and wage growth has already turned down."

The Shanghai Composite Index dropped by almost 10 percent during the quarter, reported *Reuters*.

Overall, stock markets declined during the first quarter of 2022. The MSCI All Country World Index (ACWI) measures the performance of mid-sized and large company stocks in 23 developed markets and 24 emerging markets. It reflects the performance of about 85 percent of the investable stocks across the world and finished the first quarter of 2022 -5.36 percent.

There were some regions that delivered positive returns during the period. For example, markets in some commodity-exporting countries in Latin America, Africa, and the Middle East benefitted from the supply disruptions that followed Russia's invasion of Ukraine.

We anticipate that markets will remain volatile in the coming weeks and, possibly, months. We will continue to monitor events around the world and the ways in which they may affect markets and asset prices and we hope peace talks will conclude the war in Ukraine.

## A CURE FOR ICE CREAM HEADACHES

When the weather gets warmer, many people consume ice cream, slushies, and popsicles to cool down. Occasionally, that leads to brain freeze, reported Joseph Nordqvist in *Medical News*

Today.

Brain freeze is the sharp, painful headache that occurs after you've eaten cold foods or drinks too quickly. When something extremely cold touches the roof of the mouth, the capillaries in the sinuses cool and blood vessels narrow. While many people press a palm to their foreheads when they experience brain freeze, that's not a particularly effective cure. Better options may be to:

- Drink warm water,
- Press your tongue to the roof of your mouth to warm the area, or
- Cover your mouth and nose with your hands and breathe so warm air flows over your palate.

Here's something else to keep in mind: eating hot foods on hot days may cool the body effectively, so long as the foods make you sweat. Sweating helps lower body temperature.



## WEEKLY FOCUS - THINK ABOUT IT

"Strange as it may seem,  
I still hope for the best,  
even though the best, like  
an interesting piece of mail,  
so rarely arrives, and even when  
it does it can be lost so easily."

—Lemony Snicket (Daniel Handler), author



**BRAEBURN**  
Wealth Management

From beginning of life...  
...to end of life.

College Saving Plans  
Individual Investments  
401(K)s and IRAs  
Financial Planning  
Retirement Planning  
Rollovers  
Social Security Analysis  
Trusts  
and More

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added. Michael A. Poland, CFA® - Financial Advisor and Portfolio Manager. Mike is a Chartered Financial Analyst with a BA from Michigan State University and an MBA from the University of St. Thomas, in St. Paul, Minnesota. Mike has been in the financial service industry since 1989. Mike's prior experience was with PaineWebber, Merrill Lynch and Lehman Financial. Mike is a member of the CFA Society of West Michigan, and has served on the boards of The Builders Exchange of Grand Rapids and West Michigan, Mona Shores Education Foundation, and the West Michigan Symphony Orchestra. Mike lives in Norton Shores with his wife and three children.

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